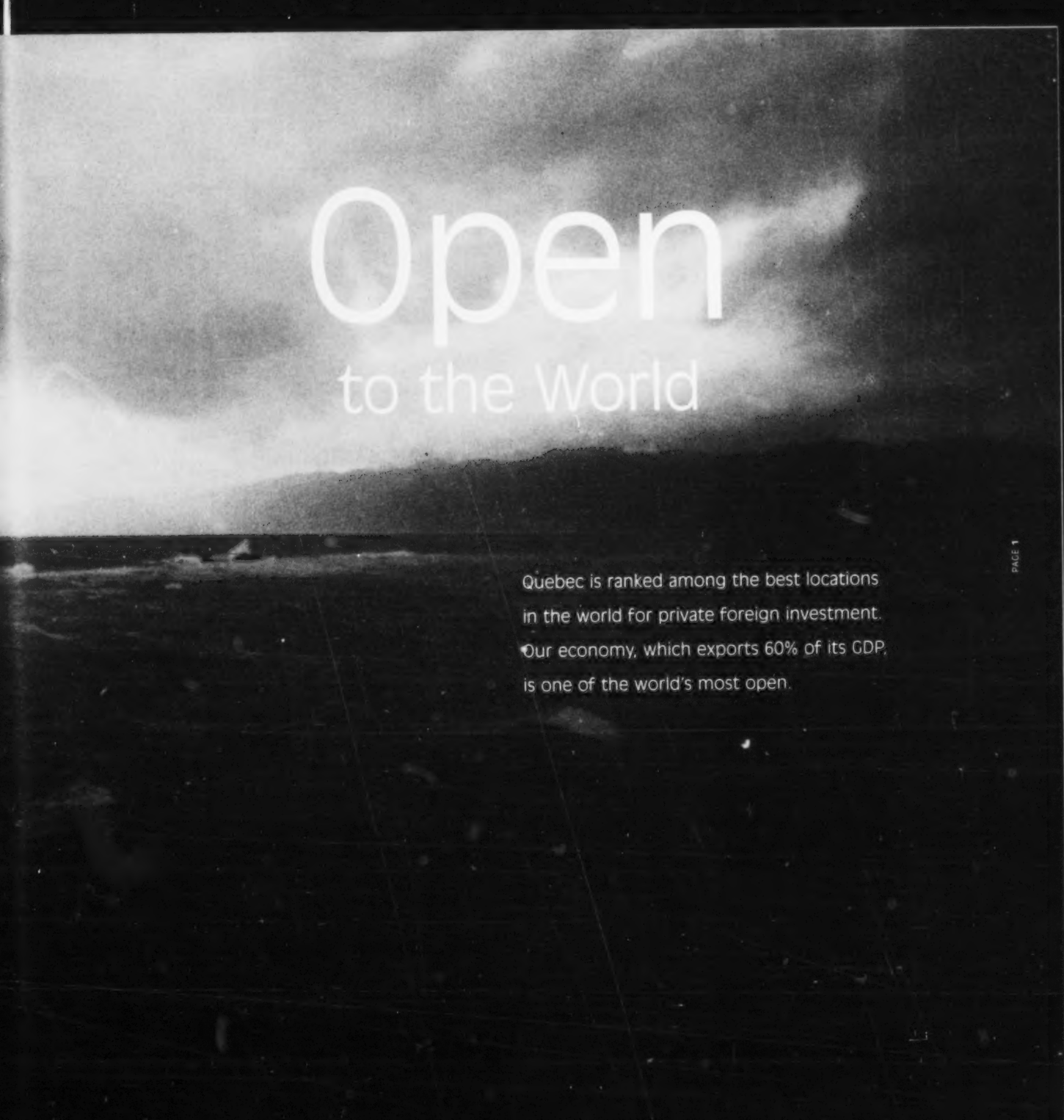
SGF's mission The mission of the Société générale de financement du Québec (SGF), as an industrial and financial holding company, is to carry out economic development projects, especially in the industrial sector, in cooperation with partners and in accordance with accepted requirements for profitability that comply with the economic development policy of the Government of Quebec.



Quebec is ranked among the best locations in the world for private foreign investment. Our economy, which exports 60% of its GDP, is one of the world's most open.

106-05318/

Financial Highlights

(in millions of dollars)

	2001	2000
Operations		
Revenue	**879.0**	802.4
Operating income (loss), excluding corporate expenses	**(6.8)**	14.0
Net earnings (net loss)	**(84.0)**	49.0
Financial Condition		
Additions to property, plant and equipment	**233.0**	272.0
Acquisitions of joint ventures and long-term investments	**496.8**	167.3
Total assets	**3,014.0**	2,272.7
Long-term investments	**1,239.0**	893.1
Property, plant and equipment	**1,172.3**	905.3
Total long-term debt	**405.8**	324.5
Shareholder's equity	**2,344.9**	1,727.8
Debt/equity ratio	**15:85**	16:84

153
79
116
49
2001 (84.0)
1,589
1,757
1,958
2,371
2001 3,014
1,129
1,345
1,551
1,729
2001 2,345

106-05318/

Financial Highlights

(in millions of dollars)

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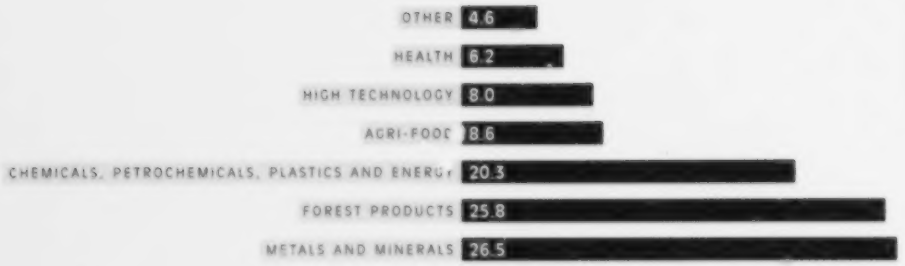
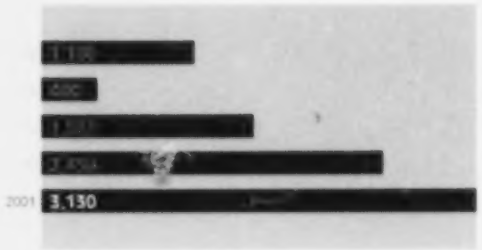
151
79
116
49
(84.0)
1,589
1,757
1,955
2,273
3,014
1,120
1,245
1,511
1,728
2,345

2001
-4.1
2001
5.4


OTHER
4.6
HEALTH
6.2
HIGH TECHNOLOGY
8.0
AGRI-FOOD
8.6
CHEMICALS, PETROCHEMICALS, PLASTICS AND ENERGY
20.3
FOREST PRODUCTS
25.8
METALS AND MINERALS
26.5


2001
3,130

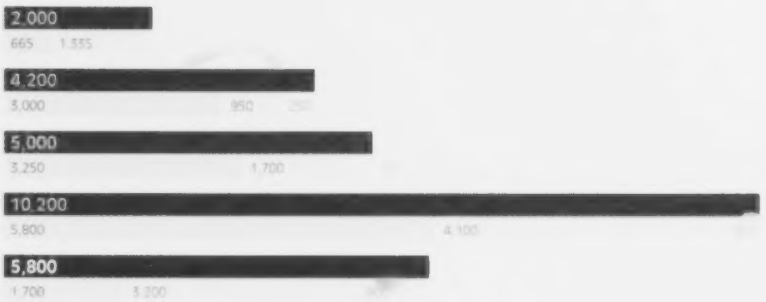
The investments made by the SDF over the past five years have led to the creation of more than 27,000 direct and indirect jobs once projects were in full operation. Almost 55% of these jobs were created in high knowledge industries.

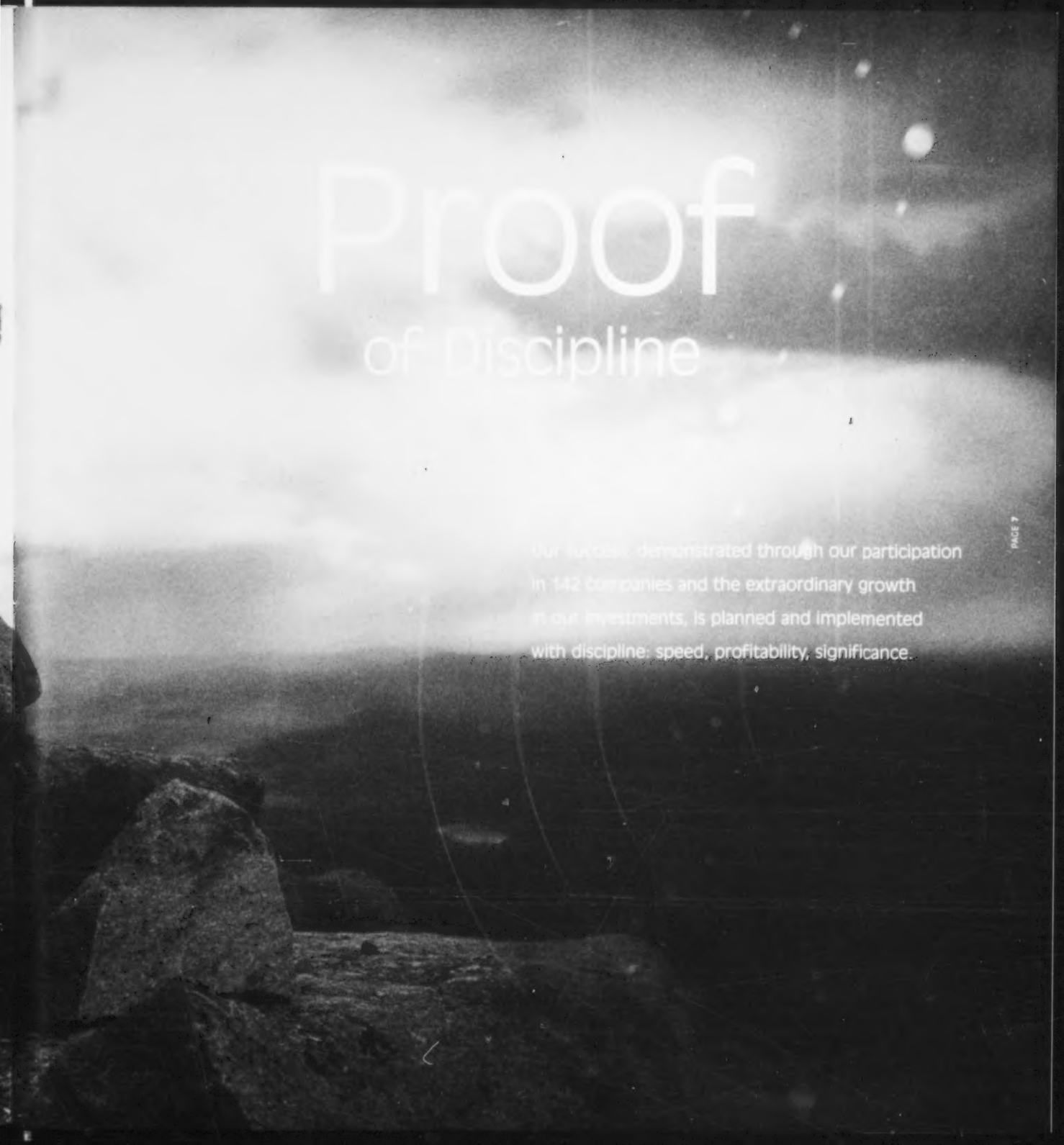
Low
Average
High

Note:
Investment and job creation may spread over a number of years as projects move from construction to operating phases.

13.9
6.7
8.4
3.0
-4.1
12.8
15.7
15.0
7.2
5.4
OTHER
4.6
HEALTH
6.2
HIGH TECHNOLOGY
8.0
AGRI-FOOD
8.6
CHEMICALS, PETROCHEMICALS, PLASTICS AND ENERGY
20.3
FOREST PRODUCTS
25.8
METALS AND MINERALS
26.5
1,100
400
1,525
2,456
3,130

11
36
52
49
41
7,300
1,700
5,900
9,800
8,300


2,000
665
1,335
4,200
5,000
950
5,000
3,250
1,700
10,200
5,800
4,100
5,800
1,700
3,200



Our success, demonstrated through our participation in 142 companies and the extraordinary growth in our investments, is planned and implemented with discipline: speed, profitability, significance.

Message from the President

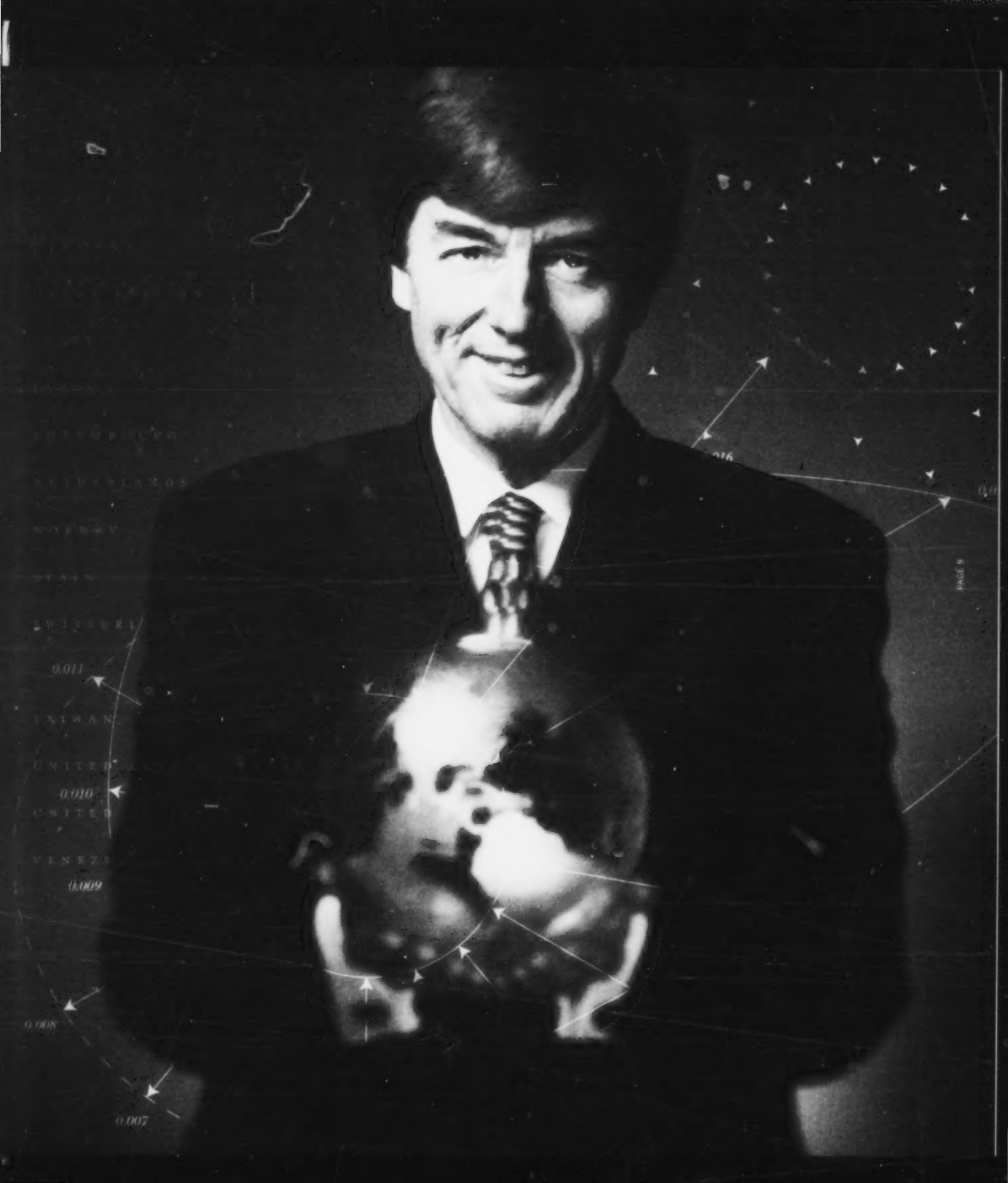
Investing in tomorrow The year 2001 represented an exceptional period of investment for the Société générale de financement du Québec (SGF), despite weakness in the international, and in particular, the North American economies. Thanks to its private long-standing and new partners, the SGF was able to continue to fulfill its mission completely and thus contribute to the development of the Quebec economy through profitable and structuring investments.

For the period ended December 31, 2001, the company had targeted investments totalling $1.7 billion. The SGF, together with its private sector partners, realized 41 projects totalling investments of $3.1 billion, an increase of almost 25% over the $2.5 billion invested during the previous year. This was a record year. During their construction and implementation phases, these projects will generate the equivalent of 8,300 person/years in jobs. Once in operation, they will lead to the creation of 5,800 jobs.

Performance When the 1998-2002 five-year development plan was introduced, the company expected to experience a short-term drop in profitability due to the accelerated growth of its investments and portfolio, which grew from 17 holdings in 1997 to 142 by the end of 2001. Moreover, at the end of the fiscal period, close to 30% of the SGF's shareholder's equity, or $698M, was invested in the construction and implementation stages of its projects, or in their initial years of operations.

Whether Interquisa Canada, Kruger Wayagamack, Circuit Foil America, or Magnola, all of these projects required a considerable investment by the SGF. However, it will only be in a few years that these companies will reach their stride and begin to show profits. This, combined with those projects still in their initial years of operation, will place considerable pressure on the SGF's short-term profitability outlook.

In 2001, the annual performance of the SGF established at the book value of investments is -4.1%. However, if calculated taking into account the fair market value of the SGF's holdings in publicly held companies, the return increases to 4.1% for 2001.


0.011
0.010
0.009
0.008
0.007
PAGE 9

Under the provisions of its five-year plan, the SGF committed to maintaining a return superior to the cost of funds for its shareholder, the Government of Quebec, over the five-year period. At the conclusion of the five years just completed, the return according to book value totalled 5.4% and 6.3% based on the fair market value, while the shareholder's costs stand at 4.9%. The company has made the same commitment for the future to ensure that the SGF's results continue to have a positive impact on the balance sheet of the Government of Quebec.

Development and employment In addition to underscoring the SGF's drive to reach the objectives approved by its shareholder, the growth in its investments also confirms the determination of the company to help Quebec's economy, already on a decidedly promising path, to pursue and indeed increase its growth over the medium and long term. Despite the crisis triggered by the events of September 11, 2001, and the earlier slowdown in the American economy, the Quebec economy is strong. Evidence of this is Quebec's current employment rate and the fact that 3.5 million Quebeckers are presently employed.

From 1998 to 2001, the company realized 178 projects valued at $7.5 billion, or the equivalent of 30% of the fixed capital expenditure of Quebec's manufacturing sector for the same period. The SGF now has 57 foreign partners from 16 different countries. These achievements provide clear, unequivocal confirmation of the pertinence and effectiveness of the current five-year plan.

As part of its key mission to support the development of the Quebec economy in partnership with the private sector, both domestically and internationally, the company can be rightly proud of the impact its investments have had on the value of Quebec's gross domestic product (GDP). These investments have allowed the Quebec GDP to grow by $4.8 billion for the past four years, the equivalent of an annual average increase of the GDP of 0.6% for the period.

The effect these new projects had on employment is also significant, particularly with respect to the quality of jobs created once projects reached their operational phase. A full 94% were linked to the mid and high-knowledge industries. The SGF contributed to the creation of 43,000 direct and indirect jobs, or the equivalent of 15% of the number of jobs created in Quebec between 1998 and 2001. This contribution represents an additional 0.3% in the average annual increase in the employment rate, which stood at 2.1% and would have levelled off at 1.8% without the support of the SGF.

The Review of Activities presents details of the achievements in the SGF's ten sectors, all of which contributed to our success in the past year. However, the Forest Products and Health sectors showed exceptional performance and impacted significantly on the overall results of the company.

Quebec: a profitable investment Internationally, Quebec and its hub Montreal are recognized among the most favourable regions in North America in which to make private-sector investments. It is now an acknowledged fact that Quebec's aerospace, healthcare, biotechnology, and information technology sectors are, like so many other sectors here, of world-class calibre.

One of the currently most documented studies on operating costs among G7 countries [1] has placed Quebec's principal cities at the top of an index that compares 27 cost factors linked to investment in North America, Europe and Japan. In 2001, the overall operating costs of a business situated in Montreal were 15% lower than the average American city. Montreal was ranked first among the principal cities of the United Kingdom, Italy, Holland, France, Germany, Japan, and of course, the United States.

[1] Competitive Alternatives, Strategic Relocation and Expansion Services, KPMG LLP

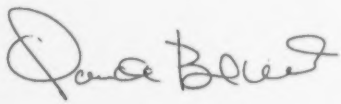
This study highlights the distinct advantages of our diversified, highly qualified and stable workforce, our education system, our research and development networks, our quality of life and the flexibility of the economic policies of the Government of Quebec.

Competitiveness Within a context of globalization and the opening up of markets, competitiveness and productivity remain a constant concern of companies doing business internationally. In this respect, one of the major roadblocks for Quebec and Canadian companies is the absence of a common North American currency. As is the case with numerous corporate leaders in Quebec and Canada, the SGF's executive team has maintained for some time that the federal government should delay no longer in launching a fundamental debate on the creation of a single North American currency. This initiative is becoming increasingly imperative. With 35% of Quebec's GDP (the majority of which is comprised of value-added products) exported to American markets, refusing to take the lead in this crucial matter displays an attitude that is both dangerous and potentially damaging. As the monetary question will inevitably have to be addressed and corrected, federal authorities should listen to the business community and act immediately.

Conclusion The year 2002 represents the SGF's fortieth year of existence. Over the years, the company has continually kept pace with, and has often anticipated, the key global economic trends. Strengthened by its numerous private-sector partnerships, the SGF has truly established itself as one of the key players in the Quebec economy. Ever present in the province's regions, the company intends to pursue its investments in innovative, structuring and profitable projects.

The shareholder of the SGF will also be asked to support the new development plan recently submitted to it by senior management. Within the pages of this document, which will launch another phase for a company determined to remain a valuable contributor to our collective wealth, the SGF stands firm in its commitment to continue INVESTING IN TOMORROW.

The SGF sincerely thanks its employees, advisors and the many people who have contributed to its success and growth. Their dedication, as well as the expertise of the members of the Board of Directors and our advisory committees, is very much appreciated and has permitted us all to experience the satisfaction of a job well done.



Claude Blanchet
Chairman of the Board
President and Chief Executive Officer

Richard Fredette
Vice-President
Corporate Planning

André Roy
Senior Vice-President
Administration

Claude Blanchet
Chairman of the Board
President and Chief
Executive Officer

Francine Frenette
Assistant to the President

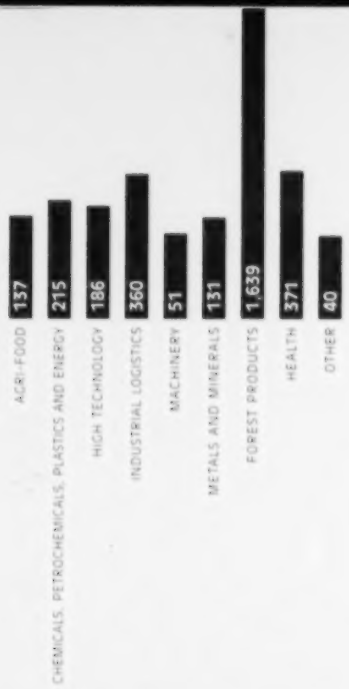
Dino Fuoco
Senior Vice-President
and Chief Financial Officer

Jean-Yves Duthel
Vice-President
Communications, Public and
International Relations

Management

Denis Akzam, Gérald André, Julie Arcand, Brigitte Babin, Antonella Battaglia, Marie-Hélène Beaudin, Michel Béland, Linda Bélanger, Frédéric Bélanger, Francis Bellido, Marc A. Benoit, Marc Benoit, Christophe Bichet, Claude Blanchet, Pierre Boisvert, Sylvain Bouchard, Claude Bourget, Denis Boyer, Louise Briand, André Brousseau, Sylvie Brousseau, François Brulotte, Andrée Brunet, Françoise Cabana, Hubert Carrier, Réjean Chabot, François Chagnon, Claudine Chan, Sylviane Chaput, Pierre Charbonneau, Yves Charette, Bernard Charette, Michel Charlebois, Jean Chénier, Hector Colgan, Pascal Cormier, Nelson Côté, Michel Côté, Nathalie Couture, Carolle Cyr, Jacinthe Dauphin, Gaétan de Gongre, Lise-Anne de Varennes, Carole Demers, Anick Denis, Jocelyne Deslandes, Carole Desrosiers, Pierre Dion, Denis Doré, Ariane Dubé, Louise Duchesneau, Rose Anne Duguay, Mary Anne Dumond, Paul Dupont, Jean-Yves Duthel, Sophie Duvieusart, Martine Éhier, Michelle Faucher, Marie-Paule Ferlatte, Marc Filion, Jean-Rock Fortin, Jacques Fortin, Claude Fortin, Réjeanne Fournier, Jean-Pierre Fréchette, Richard Fredette, Francine Frenette, André-Gilles Frigon, Dino Fuoco, Richard Gagnon, Lorraine Gosselin, Denise Goulet, Sylvie Grenier, Daniel Guay, Geneviève Guertin, Manon Guesthier, Fanny Guigui, Louis A. Guilbault, Estelle Hamel, Véronique Henry, Éric Hubar, Meunier Danielle Jacques, Sylvie Jobin, Betty Jones, Sylvie Joyal, Daniel Kirouac, Barbara Kot, André L'Ecuyer, Johanne L'Heureux, Francine Labrecque, Lise Lachaîne, Céline Lachance, Roberte Lachance, Pierre Laflamme, Nicolas Laflamme, Louise Lafond, Francine Lahaie, Marc Lamontagne, Jonathan Landry, Pierre Laplante, Luc Lapointe, Benoit Larose, Yves Lasnier, Lucie Laurin, Lise Lavigne, Line Lavoie, Marcel Leblanc, Sylvie Leclair, Dominique Leclerc, Jean-Marc Lecouturier, Pierre LeGourriérec, Lynda Leith, Shirley Loubert, Linda Malenfant, Chantal Malo, Danièle L.- Marcotte, Louise-Ann Maziak, Serge Melançon, Diane Michaud, Yves Milord, Roger Morasse, Steve Morin, Roger Nadeau, Marc Paquet, Richard Paradis, Lison Parent, Réjean Patry, Jocelyn Paul, Serge Petit, Quynh-Giao Pham, Laurence Pollet, Lina Potvin, Lilia Pouliot, Denis Pouliot, Isabelle Prud'homme, Suzanne Racette, François Racine, Bertrand Racine, Yvan Rochette, Paul Rollin, Francine Romanelli, Jean-François Rousseau, André Roy, Sylvie Roy, Yanick Santoire, Claude Savard, Pierre Séguin, Murielle Sichez, Marco Spain, Martin St-Jean, Josée St-Martin, Stéphane St-Onge, Carole St-Pierre, Michel Ste-Marie, Marlene Tanguay, Dominique Tanguay, Jean-Yves Tardif, Chantal Tardif, Yannick Therrien, Bertrand Thibert, Nathalie Thifault, Silvana Travaglini, Anick Tremblay, Josée Tremblay, Marc Tremblay, Carol Turgeon, Éric Veilleux, Nadia Veilleux, Bertrand Venne, Paule Verschelden, Johanne Vincent, Hélène Zaleski, Anne Zilliox

SGF employees as at December 31, 2001



In 2001, the Société générale de financement du Québec (SGF) invested $579M in 41 new projects worth a total of $3.1 billion. The SGF also signed 89 agreements in principle, representing potential investments of $4.8 billion.

Fulfilling its mission to actively participate in developing the Quebec economy, the SGF focused on a number of promising projects, both in the natural resource industries and those of the new economy.

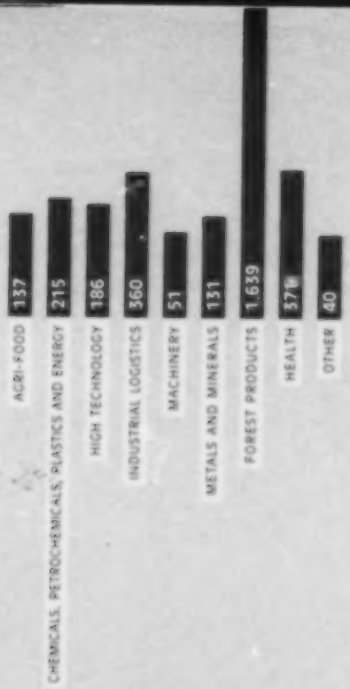
These new projects will significantly contribute to development in all of Quebec's regions. Once in full operation, the projects will also lead to the creation of some 5,800 direct and indirect jobs, with 8,400 jobs in equivalent person-years being required during the construction and implementation phases.

During the past fiscal year, despite challenging business conditions, the SGF joined forces with 12 new partners abroad to invest in Quebec and realize projects worth close to $600M.

In 2002, the SGF will continue these economic development activities through its portfolio of 142 investments and its portfolio of projects, which, as at December 31, 2001, numbered 84 agreements in principle representing potential investments of $6.3 billion.

The SGF's development process has demonstrated that, on average, for every ten projects it identifies, three lead to agreements in principle and the realization of projects.

Review of Activities



Total investments in 2001 by sector
(in millions of dollars)

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In 2001, SGF Soquia amply fulfilled its role, thanks in part to investments in projects linked to the leading-edge biotechnology sector and the more traditional pig slaughter industry. The projects, realized both in companies in which SGF Soquia had already invested and in new partnerships, represent a total investment of $137M, $54M of which was contributed by the SGF subsidiary.

The key transaction of 2001 was SGF Soquia's $50M acquisition of an interest in Olymel, which allowed this company to conduct a $125M investment project. Most notably, Olymel acquired a pig slaughterhouse and pork processing plant near Red Deer, Alberta. As markets witness an increased consolidation of distribution networks and food processing companies, SGF Soquia supports Quebec industry leaders in their efforts to expand, penetrate new markets and compete on a North American scale. Olymel, with its Flamingo division, is a Canadian leader in pork and chicken processing and is focused on becoming a major North American player in this sector.

SGF Soquia also places a high priority on supporting the development of high-tech food biotechnology companies. The SGF subsidiary invested $4.3M in Biopharmacopae Design International Inc., which extracts active ingredients from plants for the production of natural healthcare, nutraceutical and cosmetic products.

Also in the food biotechnology sector, Foragen Technologies, an investment fund in which SGF Soquia is a partner, invested $1M in Codena, a company developing a botanical insecticide to replace chemical insecticides and reduce their negative impact on human health and the quality of water and soil.

Finally, SGF Soquia joined forces with its main partners in Les Fruits Bleus Inc., a company specializing in the farming and packaging of blueberries, to reorient the vocation of the Société des pêches de Newport plant, closed following the cod moratorium. This group of shareholders converted the old industrial complex into a facility equipped to freeze and store wild blueberries, the Usine de congélation de Newport. The project, worth more than $3M, will contribute to the creation of 70 direct and indirect jobs in the Gaspé region.

At the end of the fiscal year, six SGF Soquia projects valued at more than $100M had reached the agreement in principle stage.

CENTRE D'INSEMINATION PORCINE DU QUÉBEC (C.I.P.Q.) INC.
SGF Soquia inc. 100

CENTRE DE DISTRIBUTION DE MÉDICAMENTS VÉTÉRINAIRES (C.D.M.V.) INC.
SGF Soquia inc. 100

ALIMENTS CARRIÈRE INC.
Placements Géros inc.
Capital Desjardins, L.P.
Private investors
SGF Soquia inc. 31.57

PATRIMOINE DES EAUX DU QUÉBEC INC.
Patrimoine des Eaux du Canada inc.
SGF Soquia inc. 55

LES ENTREPRISES CHAMPOST INC.
Cantines Guillaume inc.
Other private investors
SGF Soquia inc. 30.52

LES COMPOSTS DU QUÉBEC INC.
Gestion R. Buteau inc.
Garantie Québec
Fonds Agro-forestier, L.P.
SGF Soquia inc. 21.57

CANNEBERGES ATOKA INC.
Private investors
SGF Soquia inc. 20.14

LES FRUITS BLEUS INC.
Les Bleuetières Senco inc.
Soccrent, L.P.
SGF Soquia inc. 27.47

GESTION GROUPE R.T. (1996) LTÉE
9039-9139 Québec inc.
Capital CDPQ inc.
Accès Capital inc.
SGF Soquia inc. 19.17

LES PÊCHERIES MARINARD LTÉE	
Gestion Groupe R.T. (1996) ltée	
Other private investors	
CDPQ inc.	
SGF Soquia inc.	10
LA MAISON DU GIBIER INC.	
Private investors	
SGF Soquia inc.	20
ÉPICERIE MEDITERRANEENNE INC.	
Private investors	
SGF Soquia inc.	40
GRT AQUA-TECHNOLOGIES LTÉE	
Gestion Groupe R.T. (1996) ltée	
SGF Soquia inc.	48.19
ATRIUM BIOTECHNOLOGIES INC.	
Les Laboratoires Æterna inc.	
Solidarity Fund QFL	
Fonds d'investissement bioalimentaire	
SGF Soquia inc.	24.55
INTERNOVA INC.	
Private investors	
SGF Soquia inc.	30
OLYMEL, L.P.	
Coopérative fédérée de Québec	
SGF Soquia inc.	17
BIOPHARMACOPAE DESIGN INTERNATIONAL INC.	
Capital CDPQ inc.	
Accès Capital CDPQ	
Investissement Desjardins	
Société innovatech Québec et Chaudière-Appalaches	
Private investors	
SGF Soquia inc.	(*)
3886298 CANADA INC.	
(USINE DE CONGÉLATION DE NEWPORT)	
Les Bleuetières Senco inc.	
Soccrent, L.P.	
G.E. Collins and Sons	
SGF Soquia inc.	20
FORAGEN TECHNOLOGIES, L.P.	
Société capital de risque Banque Royale inc.	
Saskatchewan Opportunities Corporation (SOCO)	
and Crown Investments Corporation	
of Saskatchewan (CIC)	
SGF Soquia inc.	33.33
SAPUTO INC.	
Saputo Family	
Public	
SGF Soquia inc.	4.86

(*) The percentage held cannot be disclosed for commercial reasons.

In 2001, SGF Chimie participated in the implementation of six new projects totalling $215M in investments and representing a contribution by the SGF subsidiary of some $91M. As at December 31, 2001, SGF Chimie had signed 15 memorandums of understanding (MOU) representing potential investments of close to $635M.

In the petrochemical sector, the objective of SGF Chimie is to initiate new, innovative projects and optimize synergies among its existing assets in Quebec's petrochemical industry. This strategy led to the implementation of Interquisa Canada and the reopening of Coastal Petrochemical, two companies that will launch activities in 2002.

SGF Chimie also signed an agreement with Shell Chemical of Houston to create PTT Poly Canada, the first world-class polytrimethylene terephthalate (PTT) plant. This plant, located on the Coastal Petrochemical site in east Montreal, will assure optimization of the PX, PTA and PTT chain, while establishing a solid foundation for the future development of the industry in Quebec.

Pétromont, a joint venture of SGF Chimie, made a key investment during the year to equip itself with a state-of-the-art control centre. Petresa Canada, as part of its ongoing effort to continuously improve its processes and offer the highest quality standards, obtained ISO 14000 certification, (international standards for environmental management systems and earned, for the second year, the 2001 Responsible Care award, conferred by the Canadian Chemical Producers Association (CCPA).

In the chemical sector, a $1.4M investment by the SGF in SiliCycle Inc. will support technological innovation and help develop niche markets. A leader in the chromatography industry, SiliCycle develops, manufactures and markets silica gels used in chemical analysis and the purification of value-added products. Some twenty direct and indirect jobs were created through this $2M investment carried out in partnership with the Société Innovatech Québec et Chaudière-Appalaches.

In plastics, SGF Chimie continued to show strength in the recycled resins sector. In addition to its 1998 investment in Sol Plastiques, which manufactures finished pallets from 100% recycled resins, in 2001 this SGF subsidiary invested in Lavergne Group. The company is a producer of polyethylene terephthalate (PET) and engineered resins manufactured from recycled plastic and used in high-quality products, most notably for the automobile and aeronautical industries.

SGF Chimie invested $7.2M in Le Groupe Lavergne, which is QS 9000 and ISO 9001 certified. The investment also saw the creation of 230 direct and indirect jobs.

Techblend's production capacity will be doubled through an investment project of more than $7M, of which SGF Chimie has committed to investing $475,000. In 1999, the SGF subsidiary invested $600,000 in this company.

In the energy sector, Intragaz, a company jointly owned by SGF subsidiary Soquip Energy and the French company Gaz de France, announced two underground natural gas storage projects, representing an investment that will total $13M by the end of 2002. The contribution by Soquip Energy stands at $3M. Following new drilling, the storage capacity at the Saint-Flavien site increased by 40%. During the year, Soquip Energy explored non-conventional energy production technologies. The company has already identified a number of projects that will allow it to become active in this sector during 2002.

SOQUIP ENERGIE INC.
SGF Chimie inc. 100

SOCIETE DE COGENERATION DE ST-FELICIEN, L.P.
CHI Canada inc. (UNITED STATES)
Centrale Thermique St-Félicien
Soquip Énergie inc. (SGF Chimie inc.) 56.10

INTRAGAZ, L.P.
GDF Québec inc. (FRANCE)
Soquip Énergie inc. (SGF Chimie inc.) 60

OPTIGAZ INC.
CHI Canada inc. (UNITED STATES)
Soquip Énergie inc. (SGF Chimie inc.) 40

SOL PLASTIQUES, L.P.
Misol Technologies BV (VENEZUELA)
Solidarity Fund QFL
SGF Chimie inc. 49.5

VÉZINA COMPOSITES INC.
Norshield Capital Management Corp.
SGF Chimie inc. 50.99

PETROMONT, L.P.
Dow Chemical Company (UNITED STATES)
SGF Chimie inc. 50

PETRESA CANADA INC.
Petresa America Inc. (SPAIN)
SGF Chimie inc. 49

KARBOMONT, L.P.
Kvaerner Canada inc. (NORWAY)
SGF Chimie inc. 50

KEMFOR, L.P.
Produits Forestiers Turpin inc.
Kemestrie inc.
SGF Chimie inc. 33.33

COASTAL PETROCHEMICAL, L.P.
El Paso Corporation (UNITED STATES)
SGF Chimie inc. 49

INTEROUISA CANADA, L.P.
Groupe CEPSA, SA (SPAIN)
SGF Chimie inc. 49

LE GROUPE LAVERGNE INC.
Innovatech du Grand Montréal
Private investors
SGF Chimie inc. 43.70

TECHBLEND, L.P.
Marfed Holdings inc.
SGF Chimie inc. 15

SILICYCLE INC.
Société innovatech Québec et Chaudière-Appalaches
Accès Capital inc.
Private investors
SGF Chimie inc. 14.65

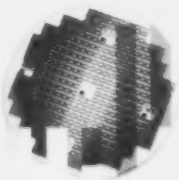
In 2001, SGF Tech launched eight projects representing total investments of $186M. The SGF subsidiary's contribution to these projects stood at $77M.

SGF Tech announced an investment of $14M in CinéGroupe Corporation, a company with extensive expertise in integrating traditional production processes (animation, films, series) with new digital processes, such as 3D animation and interactive production. CinéGroupe Corporation has built the largest digital studio in Canada, specializing in the integration of content onto various broadcast technology platforms.

SGF Tech also committed to a maximum investment of $5M over 10 years in the limited partner company GTI V, a fund managed by venture capital company GTI Capital, dedicated to financing fledgling IT companies. SGF Tech's involvement in the project will allow it to develop promising links with a number of various businesses.

During the year, SGF Tech invested $3M in Telops share capital. Telops is a Quebec City based company specializing in the design and production of sophisticated optoelectronic systems. These products are developed for the telecommunications, defence and aerospace markets. The participation of SGF Tech will help to accelerate the development and marketing of a line of test equipment mainly used in certifying components and modules for the telecommunications industry.

Thanks to reinvestments by SGF Tech, many of the companies in the portfolio were able to continue their development efforts. These companies included Moli-Flex White Group (Ciné Cité project), Circuit Foil America (CFA) and Technologies Miranda. The latter, a major supplier of digital imaging technological solutions, benefited from an additional investment.



GROUPE MOLI-FLEX WHITE, L.P.
Studio Ciné Cité Saint-Hubert inc.
SGF Tech inc. 40

CIRCUIT FOIL AMERICA, L.P.
Circuit Foil Luxembourg Trading (LUXEMBOURG)
SGF Tech inc. 49

NSI GLOBAL INC.
Tamimi Holdings (UNITED ARAB EMIRATES)
Other
SGF Tech inc. 27.81

TECHNOLOGIES MIRANDA INC.
Investissement Desjardins inc.
Business Development Bank of Canada
Founders
SGF Tech inc. 23.46

CORPORATION CINEGROUPE
Animation CinéPix inc.
Fox Family Worldwide Inc.
Private investors
SGF Tech inc. (*)

HEMERA TECHNOLOGIES INC.
Corel Corporation Ltd.
Solidarity Fund QFL Outaouais, L.P.
Capital CDPQ inc.
Founders
Other
SGF Tech inc. 21.74

GOAL SEMICONDUCTOR INC.
Vision 2000 Venture Ltd. (Mosel) (TAIWAN)
Private investors
SGF Tech inc. 44.34

DOMOSYS CORPORATION
Les Entreprises Batteries inc.
Consultmar
Societe Innovatech Québec et Chaudière-Appalaches
Other
SGF Tech inc. 28.83

ALIS TECHNOLOGIES INC.
Corporate investors
Grebco Holding Ltd. (UNITED STATES)
Societe Orgepro S.A. (FRANCE)
Robnar Investments Ltd.
Other
SGF Tech inc. 15.66

HILLMAN CDT LLC
(CDT ACQUISITION CORPORATION)
Kelso & Company (UNITED STATES)
Other
Hillman CDT LLC
Hollinger Digital inc.
Hillman Management, LLC (GREAT BRITAIN)
Other
SGF Tech inc. 12.58

TELOPS INC.
Private investors
SGF Tech inc. (*)

(*) The percentage was unknown at March 31, [illegible]

GTI V, L.P.
Scotiabank
Solidarity Fund QFL
National Bank of Canada
Export Development Corporation
Innovatech du Grand Montréal
LBC Capital inc.
IBM Canada Limited
Other investors
SGF Tech inc. (*)

THE FOX GROUP INC.
Founders
TDI Cie
Other
SGF Tech inc. (*)

8 X 8 INC.
ST Microelectronics N.V. (FRANCE)
Other
SGF Tech inc. 5.03

(*) The percentage held cannot be disclosed for commercial reasons.

of $9M from SGF Tech to support its acquisition of Multimedia Research Center (MRC), the Montreal division of the American company General DataComm (GDC). GDC offers technology designed mainly for the emerging market of remote training.

In addition, SGF Tech is pursuing its development efforts in the electronic materials and components sectors: semi-conductors and flat-screen technology, optics/photonics, information technology and telecommunications, including multimedia and e-commerce. At the end of the fiscal period, SGF Tech's project portfolio consisted of 15 agreements in principle, representing potential investments of $320M.

The SGF's Industrial Logistics sector targets domestic and foreign partners who design and distribute logistics information technology, third-party logistics (3PL), airport and port terminal operators, as well as real estate developers specializing in the construction of distribution centres and logistics parks. By partnering with these organizations, the SGF is aiming to invest in expansion projects or acquisitions that could generate significant economic results for Quebec.

During the period, $45M was invested in projects worth a total of $360M, which will lead to the creation of 740 direct and indirect jobs.

The sector invested $41.7M in Rona Inc. to assist it in acquiring Revy Home Centre. This strategic acquisition boosts Rona to becoming the largest hardware and renovation products retailer in Canada.

Benefiting from a contribution of $4M by the SGF, Congébec Logistique Inc. will double its climate-controlled storage capacity. The total value of the project has been evaluated at $25M.

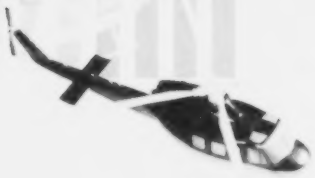
At the beginning of 2002, SGF invested in Metro Canada Logistics, which will allow this company to equip itself with leading-edge information systems and will provide Quebec with a unique logistics solution for the pulp and paper sector.

With a seat on the board of directors of the Montreal Foreign Trade Zone at Mirabel, the SGF will continue to closely monitor and lend its expertise to investment projects in this region.

CONGEBEC LOGISTIQUE INC.
Gestion Pedneault
Other
SGF (*)

RONA INC.
ITM
CDPQ inc.
Association des marchands
SGF 9.65

(*) The percentage held cannot be disclosed for commercial reasons.



Machinery

During the year, the SGF approved investments of $12M in projects with a global value of $51M. The Machinery sector also signed three MOUs representing potential investments of $60M.

Areas actively explored during the course of 2001 included alternative fuel systems, production and electricity transportation equipment, air conditioning systems (HVCA), manufacturing technology, materials handling systems, and machinery for the pulp and paper, mining and agricultural environment sectors.

Following a transaction realized in 1999, the SGF and its Australian partner, Turbocorp B.V., completed the construction of a new Montreal facility for Turbocor. The plant already employs approximately 100 people in the research, development and manufacturing of centrifugal compressors (HVCA). Marketing and production activities began in the fall of 2001.

TURBOCOR INC.
Turbocorp B.V. (AUSTRALIA)
SGF 39.05

Transportation material

In 2001, the SGF welcomed a new Vice-President to head its Transportation Material sector. François Chagnon's solid experience in the aeronautical domain, acquired during his years with Bell Helicopter Textron Canada, will bring a fresh perspective to this SGF division.

The development strategy for the Transportation Material sector mainly focuses on three key aspects: the strengthening of supply chains in the aeronautical and land transport sector through the consolidation of suppliers or the creation of level 1 and 2 integrators or contractors; the development of the niche, commercial and limited edition vehicle sector; and the development of world class Quebec companies, which the SGF will support in penetrating new markets, growing their critical mass and acquiring innovative technologies.

By the beginning of the current fiscal period, the Transportation Material team had already identified a number of business opportunities that could result in projects aligned to the SGF's mission. The coming year should be a very active one for this sector.

GROUPE RENE MATERIAUX COMPOSITES INC.
Private investors
Other
SGF 26.25

In 2001, SGF Minéral made a large investment in the aluminium automobile parts sector in partnership with Raufoss A.S.A. of Norway. The companies partnered in a $60M investment to build a plant to manufacture lightweight aluminium suspension components for use in General Motors (G.M.) vehicles. SGF Minéral holds a 20% interest in the plant, which is located in Boisbriand.

During the year, the Société de développement du magnésium (SDM), in which SGF Minéral holds a 33 1/3% interest, acquired the Ontario company Trimag Inc., which manufactures magnesium auto parts on a contractual basis for GM. The transaction has paved the way for the construction of a Quebec plant boasting two 3,500-ton presses used in the production of magnesium instrument panels for all-terrain light trucks. These manufacturing contracts, as well as the implementation of the presses, constitute a first in Quebec in the high-volume commercial manufacturing of complex magnesium parts for the automobile industry.

Also in the magnesium sector, Magnola was forced to delay its production launch by approximately one year in order to make technological modifications to enhance the efficiency of the magnesium metal production process. In addition, Magnola invested to maintain superior workplace safety standards. These two factors significantly increased the cost of the project. SGF Minéral, which holds a 20% interest in the company, participated in the reinvestment program.

The aluminium recycling industry suffered from the consolidation phenomenon and the price war in the secondary aluminium market. As a result, the owners of Lavalum, in which SGF Minéral invested in 1999, were forced to seek protection for the company under the *Bankruptcy and Insolvency Act*.

ALBECOUR INC.
SGF Minéral inc. 100

ALUMINERIE ALOUETTE
VAW Aluminium Canada, L.P. (GERMANY)
Kobe Steel (JAPAN)
Marubeni (JAPAN)
Corus Group, plc (GREAT BRITAIN)
Austria Metal (AUSTRIA)
Albecour inc. (SGF Minéral inc.) 20

SOQUEM INC.
SGF Minéral inc. 100

EXPLO-ZINC INC.
Soquem inc. (SGF Minéral inc.) 100

SITEC, L.P.
BQI
Soquem inc. (SGF Minéral inc.) 45

CORPORATION COPPER RAND INC.
Ressources MSV inc.
Solidarity Fund QFL
SDBJ
Soquem inc. (SGF Minéral inc.) 23

9102-3648 QUÉBEC INC. (MINERALS SECTOR)
Mazarin inc.
Soquem inc. (SGF Minéral inc.) 23.68

SODEMEX, L.P.
Cu-IQ inc.
Soquem inc. (SGF Minéral inc.) 50

MAG-NAT METALLURGIE INC.
SGF Minéral inc. 100

MAGNOLA
Noranda Inc.
Mag-Nat Métallurgie inc. (SGF Minéral inc.) 20

CORUS, L.P.
Corus Group, plc (GREAT BRITAIN)
SGF Minéral inc. 40

INTRAL, L.P.
Sural Canada inc. (VENEZUELA)
SGF Minéral inc. 49

PHILLIPS-FITEL INC.
Furukawa Electric Co. Ltd. (JAPAN)
SGF Minéral inc. 45

NEUMAN USA LTD.
Fried V. Neuman (AUSTRIA)
SGF Minéral inc. 40

NEUMAN ALUMINIUM CANADA, L.P.
Neuman Holding Canada inc. (AUSTRIA)
SGF Minéral inc. 40

KPM, AMÉRIQUE DU NORD, L.P.
KPM, SpA (ITALY)
SGF Minéral inc. 49

PIÈCES AUTOMOBILES RAUFOSS CANADA, L.P.
Raufoss A.S.A. (NORWAY)
SGF Minéral inc. 20

SOCIÉTÉ DE DÉVELOPPEMENT DU MAGNÉSIUM, L.P.
Solidarity Fund QFL
Sofinov inc.
SGF Minéral inc. 33.33

GROUPE ADF INC.
Paschini Family
Solidarity Fund QFL
Public
SGF Minéral inc. 17.56

ALTEX EXTRUSION INC.
Metra SpA (ITALY)
Olex inc.
SGF Minéral inc. 22.5

SOQUEM, a subsidiary of SGF Minéral, completed its investment of $10M in a project with Mazarin, allowing the latter to acquire 50% of Niobec, which owns the niobium mine in Saint-Honoré in the Saguenay-Lac-St-Jean region.

At the beginning of the year, mining company McWatters Mines was forced to seek protection under the *Bankruptcy and Insolvency Act*. At the end of the fiscal period, McWatters Mines submitted a restructuring plan to its creditors, which was accepted in early 2002. SOQUEM will increase its share in the new company, which will resume activities of the Sigma-Lamaque mine in the spring of 2002.

Throughout the year, SOQUEM pursued its exploration programs in the Abitibi-Témiscamingue, Appalachians, Chibougamau and Northern Quebec regions, investing close to $5.7M. Since 1998, SOQUEM and its partners have invested $30M in these regions.

In Sept-Îles, the apatite/ilmenite project, a joint venture with the Norwegian group Norsk Agri, underwent a feasibility study and was the subject of a number of discussions with European investors. Talks will continue in 2002.

In addition, the joint venture of SOQUEM and Ashton Mining released its first drilling results, which reported the discovery of a significant quantity of diamonds and may lead to a future commercial operation. Bulk sampling is scheduled for 2002 to validate the economic potential of this major Quebec find.

In the Chibougamau region, well drilling continues on the property of Copper Rand 5000, a company in which SOQUEM holds a 23% interest. The launch of extraction activities is scheduled for August 2003.

With 12 MOUs signed in 2001, SGF Minéral ended the fiscal year with 24 active MOUs, which represent potential investments of $3.8 billion.

During the fiscal period, the SGF approved 11 projects in its Forest Products sector worth a total investment of $1.6 billion. The contribution of SGF Rexfor to these projects totalled $211M. Once operational, the projects will lead to the creation of 2,750 direct and indirect jobs, as well as 5,000 jobs in equivalent person-years that will be created during the construction phase.

SGF Rexfor experienced an exceptional year with international-scale implementation, acquisition, conversion and modernization projects. Of particular importance were projects initiated by Domtar, Kruger Wayagamack, Temlam and Papiers Gaspésia.

In 2001, Domtar completed its acquisition of four American paper mills at a cost of US$1.65 billion. The acquisition has made Domtar a North American industry leader with revenues of $4.4 billion. The corporation is now the second largest uncoated fine paper producer in North America and the third largest world-wide. By injecting $92M into Domtar, the SGF has once again contributed to the expansion of a Quebec company that continues to flourish on the world's markets.

Through its association with Kruger, one of the world's largest private pulp and paper companies, SGF Rexfor became a partner in Kruger Wayagamack Inc. This participation will allow for the modernization of the Trois-Rivières mill and the installation of a new world-class coated paper machine. The project, which will require an investment of close to $500M over three years, will help maintain 450 direct jobs in the mill and will create more than 100 others, excluding 2,300 jobs in equivalent person-years that will be created during the construction and start-up periods. This major economic contribution is vital to the Trois-Rivières region, as it will position the region advantageously in the sector of high value-added paper for catalogues and magazines.

The creation of Temlam, in partnership with Tembec, is an excellent illustration of the strategy implemented in the engineered lumber sector by Tembec, a forestry giant solidly established in Quebec, elsewhere in Canada, the United States and Europe. In participating equally with Tembec in this venture, SGF Rexfor is directly involved with the acquisition and expansion of a construction product distribution network. The contribution made by the SGF subsidiary in this $92M project totals $21M.

LES PRODUITS FORESTIERS BELLERIVE KA'N'ENDA INC.
SGF Rexfor inc. 100

PRODUITS FORESTIERS ST-ALPHONSE INC.
SGF Rexfor inc. 100

REXFORÊT INC.
SGF Rexfor inc. 100

SACOPAN INC.
Boisaco inc.
Investra (1985) inc.
Intrafor inc.
SGF Rexfor inc. 50

LA CIE J. FORD LIMITÉE
Groupe Cédrico inc.
SGF Rexfor inc. 50

KRUGER WAYAGAMACK INC.
Kruger inc.
SGF Rexfor inc. 49

TEMLAM INC.
Tembec industries inc.
SGF Rexfor inc. 50

PAPIERS GASPÉSIA, L.P.
Solidarity Fund QFL
Gestion Temrex inc.
Tembec industries inc.
SGF Rexfor inc. 25.55

MDF LA BAIE INC.
Uniboard Canada Inc.
Sodexfor, L.P.
SGF Rexfor inc. 24.99

F.F. SOUCY INC. & ASSOCIÉS, L.P.
F.F. Soucy inc.
Dow Jones Newsprint Company Inc. (UNITED STATES)
SGF Rexfor inc. 10

GROUPE PYROVAC INC.
Sodexfor, L.P.
Université Laval
Société de gestion Christian Roy inc. (UNITED STATES)
SGF Rexfor inc. 26.51

DENHARCO INC.
Solidarity Fund QFL
Garantie-Québec
SGF Rexfor inc. 20.55

DOMTAR INC.
George Weston Ltd.
CDPQ inc.
Public
SGF Rexfor inc. 19.60

TECHNOLOGIE ELCORSY INC.
Investissements Castegnier inc.
Toyo ink MFG Co. Ltd. (JAPAN)
SGF Rexfor inc. 10.53

Towards the end of the fiscal year, the Papiers Gaspésia project brought together three major partners: the Solidarity Fund QFL, Tembec and SGF Rexfor. The project, realized in Chandler in the Gaspé region, will require an estimated investment of $465M and will see the relaunch of the pulp and paper mill and create some 1,000 direct and indirect jobs once operational. In addition, the construction and start-up phase will require the equivalent of 2,600 person-years. The vocation of this plant will change to producing high-brightness coated paper rather than newsprint. To ensure that a maximum volume of woodchips is produced by the Papiers Gaspésia mill, Tembec and SGF Rexfor have implemented the new forest products company Temrex, which is an amalgamation of the sawmills held in the Baie des Chaleurs region: Tembec in Nouvelle and the SGF Rexfor mill in St-Alphonse.

In addition to the major projects noted above, the SGF subsidiary was involved in or promoted various expansion projects in its affiliated companies. As a result, five new projects were also undertaken in as many regions in sectors such as printing, value-added cedar products, cabinet doors, floorboards, and door coverings.

SGF Rexfor signed 17 new MOUs in 2001, with a number of these coming into force during the period. At the beginning of 2002, the company had signed 13 MOUs representing more than $800M in potential investments.

Recreational tourism

In 2001, the Recreational Tourism division was involved in numerous business development endeavours. A new MOU was signed at the end of the fiscal period with eight more in the discussion phase, for a total investment potential of $1.8 billion.

The arrival of Mr. Marc Tremblay as Vice-President of the sector demonstrated the SGF's drive to pursue efforts to develop Quebec's recreational tourism industry. Mr. Tremblay had participated actively in the establishment of the Mont-Tremblant resort.

The SGF's Recreational Tourism sector has positioned itself as a key partner in the development of world-class cluster destinations and major tourist attractions in Quebec's cities.

Health

Sustaining its momentum of the two previous fiscal periods, SGF Santé expanded its investment portfolio in 2001. During the year, more than $65M was invested in five new projects worth a total of $370M. As a result, close to 500 direct and indirect jobs will be created once the projects are operational in addition to the equivalent of 630 person-years in jobs during the construction phase.

In collaboration with Theratechnologies and the Solidarity Fund QFL, SGF Santé participated in the creation of Celmed BioSciences, a new company with the potential to become a leader in the emerging market of cell therapy. The SGF subsidiary has invested $30M in this project, $18M of which went towards the acquisition of Neurogeneration, a California company specializing in cell therapy for neurodegenerative diseases.

During the year, SGF Santé and its new Swiss partner, Debio, announced the creation in Montreal of H3 Pharma (Helping Human Health), a company that will focus on identifying, acquiring and developing medical molecules and devices. The SGF subsidiary is committed to investing up to $25M, thus allowing Quebec to share in Debio's expertise and knowledge in the synergetic and multidisciplinary development of medications, a field in which the company has enjoyed considerable success in Europe.

SGF Santé also invested $4M in Groupe Lysac, a fledgling company in the Montérégie region that develops, refines, produces and markets super-absorbent polymers used in a number of human health areas, including personal hygiene and medical dressings.

A $4.1M investment in RTP Pharma permitted this company, which specializes in the clinical development of sparingly soluble pharmaceutical molecules, to restructure its share ownership and merge activities with the English pharmaceutical company Skyepharma.

At the end of the fiscal period, SGF Santé held seven agreements in principle with a potential for projects worth more than $500M.

DSM BIOLOGICS HOLDINGS INC.
DSM Fine Chemicals B.V. (NETHERLANDS)
SGF Santé inc. 40

BIO-INOVA SCIENCES DE LA VIE AMÉRIQUE DU NORD INC.
Gestion Bio-Inova, sciences de la vie inc. (FRANCE)
SGF Santé inc. 45

DRAXIS PHARMA INC.
Santé Draxis inc.
Other
SGF Santé inc. 31.9

H3 PHARMA INC.
Debiopharm S.A. (SWITZERLAND)
Other
SGF Santé inc. 50

ANDROMED INC.
Theratechnologies Inc.
Public
SGF Santé inc. 37.90

GROUPE LYSAC INC.
Investissement Desjardins inc.
Fonds d'investissement Desjardins de Montréal inc.
CDP Accès Capital inc.
Private investors
SGF Santé inc. 23.2

CORPORATION HAEMACURE
CSL
Multipède Holdings Inc.
Biocapital and Solidarity Fund QFL
Public
SGF Santé inc. 9.72

INFECTIO DIAGNOSTIC (I.D.I.) INC.
Infectio Recherche inc.
Compensation BNC inc.
Other
SGF Santé inc. 25.90

ULTRAVISION CORPORATION
Solidarity Fund QFL
Canadian Medical Discoveries Fund Ltd.
Other
SGF Santé inc. 40.14

CRYOCATH TECHNOLOGIES INC.
Sofinov inc.
Fidelity Management & Research Company
Other
SGF Santé inc. 13.38

BIOARTIFICIAL GEL TECHNOLOGIES INC. (BAGTECH INC.)
Fonds régional de la Solidarité, île de Mtl
Finedix B.V. (NETHERLANDS)
Solidarity Fund QFL
Private investors
SGF Santé inc. 14.90

PROCREA BIOSCIENCES INC.
SPEQ
98362 Canada inc.
Private investors
Sofinov inc.
Innovatech du Grand Montréal
Other
SGF Santé inc. 32.7

GENECHEM THÉRAPEUTIQUES, L.P.
Bombardier pension fund
Biochem Pharma inc.
Solidarity Fund QFL
Bimcor inc. (Bell pension fund)
Other
SGF Santé inc. 7.30

CELMED BIOSCIENCES INC.
Private investor
Solidarity Fund QFL
Theratechnologies inc.
SGF Santé inc. 14.77

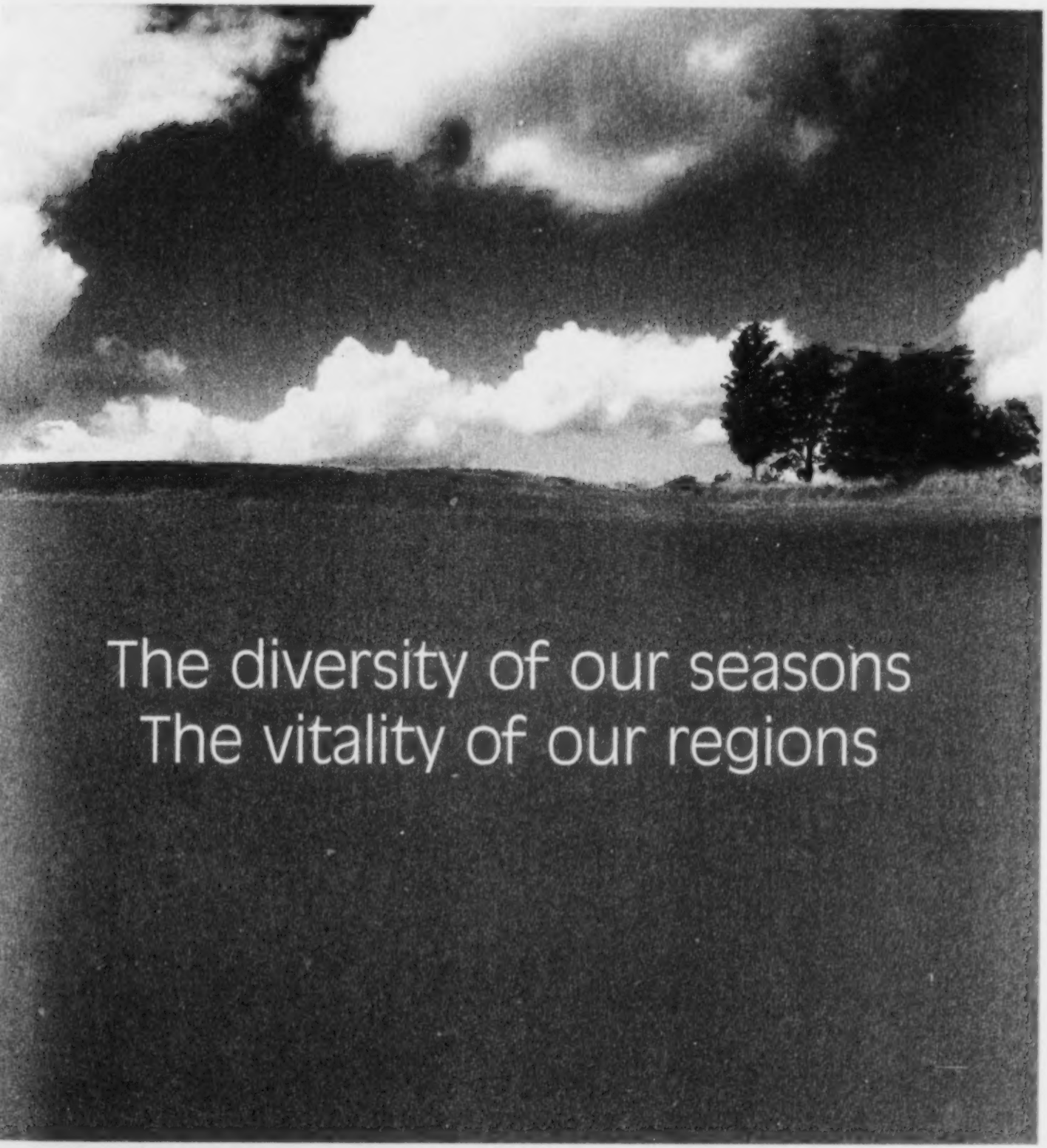
THERATECHNOLOGIES INC.
Private investor
Global Asset Management
Fidelity Investments Ltd.
Public
SGF Santé inc. 7.83

SKYEPHARMA PLC
SGF Santé inc. 0.01

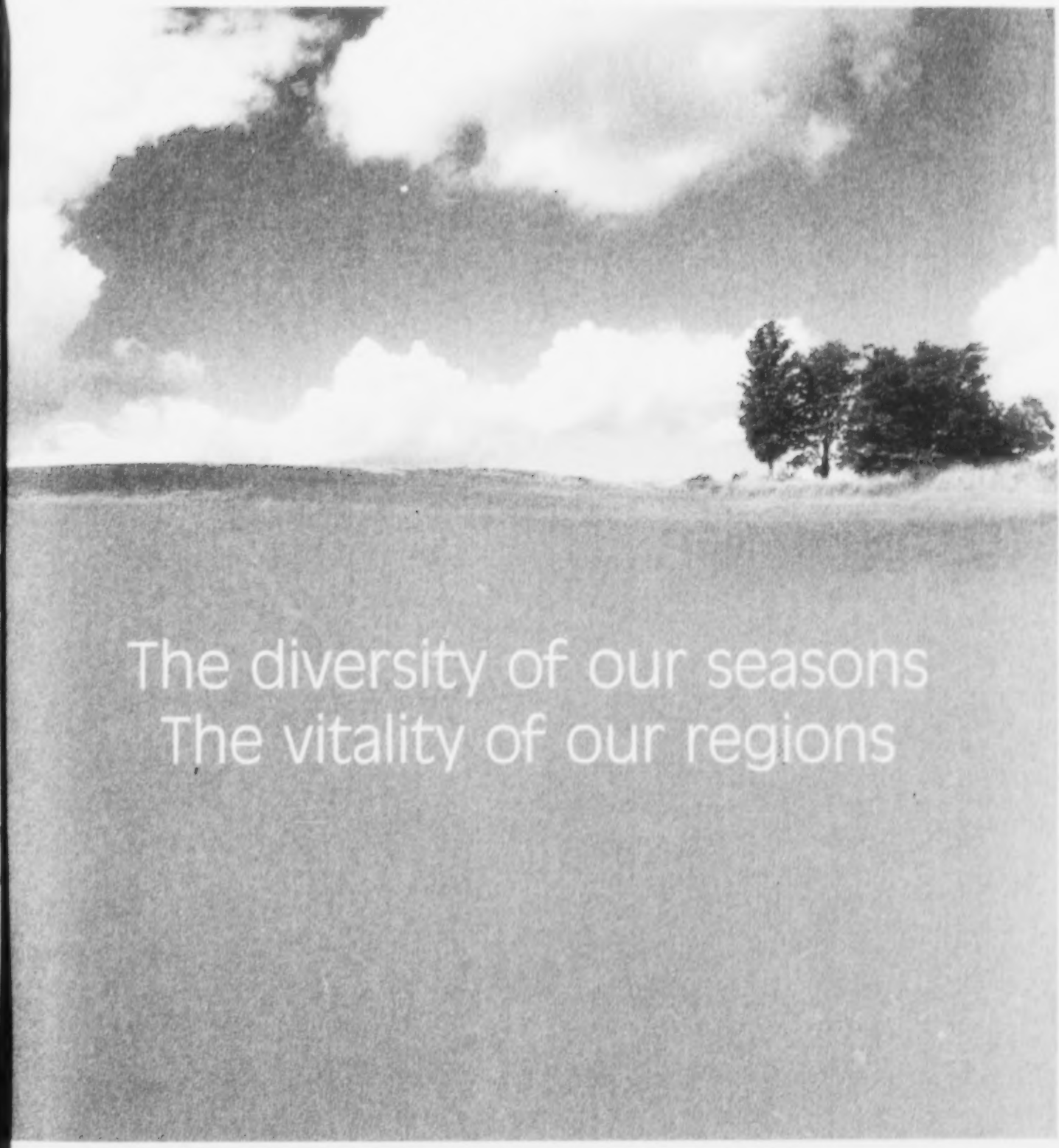
The SGF also participates in two venture capital funds, which invest in the manufacturing and information technology sectors.

INVESTISSEMENTS NOVACAP INC.
National Bank of Canada
CDPQ inc.
Canpen
CBC Pension Fund
Air Canada Pension Fund
Pratt & Whitney Pension Fund
Assurance-vie Desjardins-Laurentienne inc.
Boréal assurances inc.
La Laurentienne Vie inc. Pension Fund
SGF 17.67

NOVACAP II, L.P.
Capital d'Amérique CDPQ inc.
OMERS
Ass.de bienfaisance et de retraite des policiers de la CUM
National Bank of Canada
Régime de rentes du Mouvement Desjardins
Canpen
Solidarity Fund QFL
Export Development Corporation
CBC Pension Fund
Université du Québec Pension Fund
STCUM Pension Fund
Université de Montréal Pension Fund
Other
SGF 12.24



The diversity of our seasons
The vitality of our regions



The diversity of our seasons
The vitality of our regions

Quebec's 1,540,680 sq. km of vast North American territory stretches from the Arctic ocean to the New England border. From the great White North, home to Canada's Inuit population, to the Appalachian mountains, our landscapes offer breathtaking diversity. Each of our 17 regions offers a particular style, which, like a patchwork quilt, reflects our ways of life.

Total investments in 2001
$3,130M

41 PROJECTS
implemented in 2001

Please consult our CD-ROM for more information.
The portfolio of the SGF extends across the entire expanse of Quebec.

our history and our links with the rest of the world. The region's water and ice, the mighty Saint Lawrence River and the whales of Tadoussac, the Quebec City walls and the Charlevoix valleys, Montreal and its skyscrapers: all showcase a dynamic economy and culture unlike any other on the continent.

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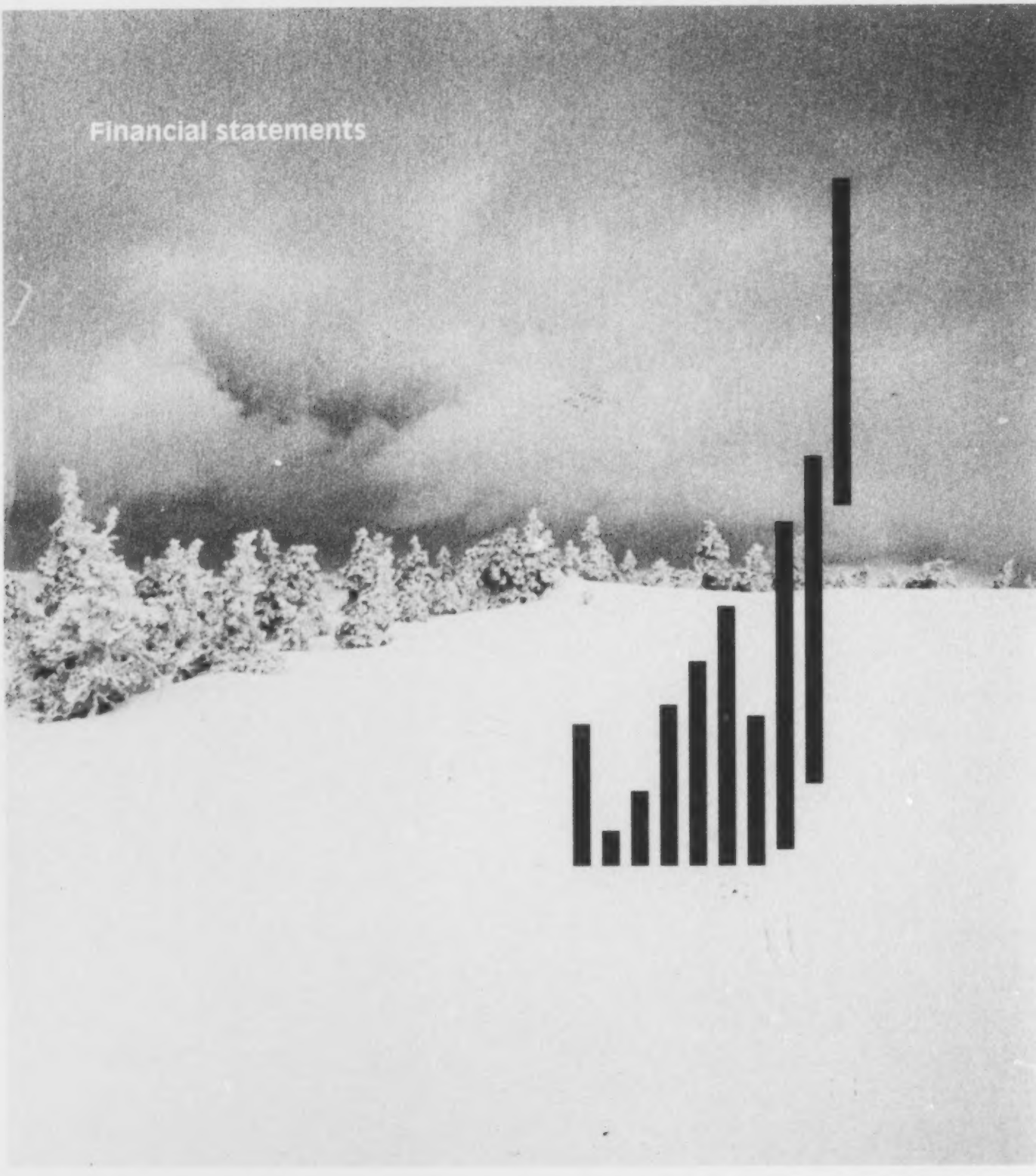
$3,130M

Please consult our CD-ROM for more information.

The portfolio of the SGF extends across the entire expanse of Quebec.

our history and our links with the rest of the world. The region's water and ice, the mighty Saint Lawrence River and the whales of Tadoussac, the Quebec City walls and the Charlevoix valleys, Montreal and its skyscrapers: all showcase a dynamic economy and culture unlike any other on the continent.

Financial statements



The rate of return of the SGF for the period from 1997-2001 stood at 5.4%, a rate higher than the shareholder's borrowing rate.

The 2001 fiscal year, the fourth in the five-year development plan of the Société générale de financement du Québec (SGF), saw significant growth in the company's investments, both in the natural resource industries and those of the new economy. The SGF's portfolio rose from 125 investments in 2000 to 142 by the end of 2001 (please see Table of companies according to accounting method used). Investments and reinvestments made by the SGF in 2001 totalled more than $700 M.

Once again, a significant portion of equity of $698M, or 29.7% of the shareholder's equity, was invested in the construction and development stages of SGF projects or in projects in their initial years of operation (projects under development). It is recognized that when a company is in the construction or development phase, indeed until beyond the start-up period, its results are not a reflection of its potential. Such investments therefore affect the average rate of return on the SGF's shareholder's equity.

The accounting rate of return of the SGF corresponds to the net earnings of the period in proportion to the average shareholder's equity. In 2001, which proved particularly demanding for many companies in its portfolio, the SGF posted a net loss of $84.0M, or a negative return of 4.1%. This performance is due primarily to the overall economic slowdown, the significant unfavourable trends in a number of industrial sectors, the drop in stock markets, and the importance of investments made in projects under development.

Despite these challenges, the SGF has posted a 5.4% average rate of return for the past five-year period, a rate higher than the shareholder's borrowing rate for the same period. Moreover, when its projects under development are discounted, the rate of return over five years increases to 7.4%.

With the exception of investments considered as venture capital, which are recorded at their fair market value, the SGF's consolidated results reflect those generated by the companies in its portfolio. This is also true for public corporations, many of which saw their fair market value increase without being reflected in the SGF's results. Had this been reflected, the consolidated earnings for the year would have increased to $94M. The annual return would have been 4.1% for the period, a commendable performance given the market conditions and stock market trends, and would have totalled 6.3% for the five-year period.

Finally, the operational costs incurred in executing this development plan have remained stable at less than 2% of the average consolidated assets.

Companies according to accounting method

The SGF is much more than an investor. The company plays a crucial role in Quebec's economy in partnership with its co-investors. This unique arrangement is reflected in, among other things, its financial results. In other words, the influence that the SGF exerts on the strategic direction, development, investments, financing, preparation of annual budgets, and in certain cases, operational activities, determines the accounting method used.

When the SGF holds an exclusive controlling interest in another company, that company is considered an SGF subsidiary and all items in its financial statements are consolidated with those of the SGF. At December 31, 2001, the SGF thus controlled 13 subsidiaries.

In most cases, the SGF is a minority shareholder of companies in which it has an interest, although it exercises joint influence and control. These companies are therefore considered as SGF joint ventures, and their results are consolidated proportionately with those of the SGF according to the ownership percentage. In 2001, the SGF held an interest in 33 joint ventures.

The SGF also has in its portfolio companies on which it exerts a significant influence. Each year, the company records its share of net earnings of these companies and adjusts the book value of the investments on its balance sheet accordingly. In 2001, 37 such investments were reported.

Certain investments, particularly in the health and high-technology sectors, are similar to venture capital investments in that their value is not always associated with annual results. The SGF holds an interest in 19 such enterprises, evaluated at their fair market value.

Finally, other long-term investments, recorded at cost, reflect the SGF's relatively modest influence in 40 companies whose results are not included in those of the SGF.

The following table breaks down all of the SGF's investments by accounting method and activity sector. Shaded areas indicate new investments for the year 2001.

Companies according to accounting method used

As at December 31, 2001

FOREST PRODUCTS

Les Produits Forestiers Bellerive Ka'N'enda inc.
Produits Forestiers St-Alphonse inc.
Rexforêt inc.
Sacopan inc.
La Cie J. Ford limitée
Kruger Wayagamack inc.
Temlam inc.
Papiers Gaspesia, L.P.
MDF La Baie inc.
F.F. Soucy Inc. & Associés, L.P.
Groupe Pyrovac inc.
Dennarco inc.
Domtar inc.
Technologie Elcorsy inc.
Other *(ns)*

METALS AND MINERALS

Albecour inc. (20% Aluminerie Alouette)
Soquem inc.
- Explo-Zinc inc.
- Sitec, L.P.
- Corporation Copper Rand inc.
- 9102-3648 Québec inc. (Minerals sector)
- Sodemex, L.P.
- Mine Jeffrey inc. *(royalties)*
- Mines McWatters inc. *(royalties)*
- Other *(ns)*

Mag-Nat Métallurgie inc. (20% of Magnola)
Corus, L.P.
IntrAl, L.P.
Phillips-Fitel inc.
Neuman U.S.A. Ltd.
Neuman Aluminium Canada, L.P.
KPM, Amérique du Nord, L.P.
Pièces automobiles Raufoss Canada, L.P.
Société de développement du Magnésium, L.P.
Groupe ADF inc.
Altex Extrusion inc.

CHEMICALS, PETROCHEMICALS, PLASTICS AND ENERGY

Soquip Énergie inc.
- Soc. de Cogénération de St-Félicien, L.P.
- Intragaz, L.P.
- Optigaz inc.
- Other *(z)*

Sol Plastiques, L.P.
Vezina Composites inc.
Pétromont, L.P.
Pipeline Pétromont Enr.
Petresa Canada inc.
Karbomont, L.P.
Kemfor, L.P.
Coastal Petrochemical, L.P.
Interquisa Canada, L.P.
Le Groupe Lavergne inc.
Techblend, L.P.
Silicycle inc.

AGRI-FOOD

Centre d'insémination porcine du Québec (C.I.P.Q.) inc.
Centre de Distribution de Médicaments Vétérinaires (C.D.M.V.) inc.
Aliments Carrière inc.
Patrimoine des Eaux du Québec inc.
Les Entreprises Champost inc.
Les Composts du Québec inc.
Canneberges Atoka inc.
Les Fruits Bleus inc.
Gestion Groupe R.T. (1996) ltée
Les Pêcheries Marinard ltée
La Maison du Gibier inc.
Épicerie Méditerranéenne inc.
GRT Aqua Technologies ltée
Atrium Biotechnologies inc.
Internova inc.
Olymel, L.P.
Biopharmacopae Design International inc.
3886298 Canada inc. (Usine de Congélation de Newport)
Foragen Technologies, L.P.
Saputo inc.
Other *(ns)*

HIGH TECHNOLOGY

Groupe Moli-Flex White, L.P.
Circuit Foil America, L.P.
NSI Global Inc.
Technologies Miranda Inc.
Corporation CinéGroupe
Hemera Technologies Inc.
Goal Semiconductor Inc.
Domosys Corporation
Alis Technologies Inc.
Hillman CDT LLC (CDT Acquisition Corporation)
Telops Inc.
CTI V, L.P.
The Fox Group Inc.
B x B Inc.

HEALTH

DSM Biologics Holdings Inc.
Bio-Innova Sciences de la vie Amérique du Nord inc.
Draxis Pharma Inc.
H3 Pharma Inc.
Andromed Inc.
Groupe Lysac inc.
Corporation Haemacure
Infectio Diagnostic II D.II inc.
UltraVision Corporation
CryoCath Technologies Inc.
BioArtificial Gel Technologies Inc. (BagTech inc.)
Procrea Biosciences Inc.
GeneChem Thérapeutique, L.P.
Celmed BioSciences Inc.
Theratechnologies Inc.
Skyepharma PLC
Other *(i)*

MACHINERY

Turbocor Inc.

INDUSTRIAL LOGISTICS

Congébec Logistique inc.
Rona Inc.

TRANSPORTATION MATERIAL

Groupe René Matériaux Composites inc.

OTHER

Investissements Novacap inc.
Novacap II, L.P.

Consolidated Statement of Earnings: Comparative results for 2001 and 2000

The net loss of the SGF totalled $84.0M, compared to net earnings of $49.0M in 2000, which represents a difference of $133.0M. This decrease in profitability is mainly due to the economic slowdown, significant unfavourable trends in certain industrial sectors, the drop in stock markets and the importance of investments made in projects under development.

The breakdown by sector is as follows:

(in millions of dollars)	2001	2000	Variation
NET EARNINGS (NET LOSS) BY SECTOR			
Forest products	**26.7**	56.2	(29.5)
Metals and minerals	**12.4**	29.1	(16.7)
Chemicals, petrochemicals, plastics and energy	**(24.1)**	(8.9)	(15.2)
Agri-food	**2.8**	4.2	(1.4)
High technology	**(57.8)**	(2.1)	(55.7)
Health	**(15.5)**	(11.7)	(3.8)
Other sectors in development	**(17.8)**	(2.8)	(15.0)
Subtotal	**(73.3)**	64.0	(137.3)
Corporate activities	**(10.7)**	(15.0)	4.3
Total	**(84.0)**	49.0	(133.0)

Forest products SGF Rexfor recorded net earnings of $26.7M in 2001, compared to $56.2M in 2000, a decrease of $29.5M.

In 2001, this sector was primarily impacted by Domtar's results. The SGF's interest in Domtar's earnings totalled $26.8M, compared to $55.5M in 2000, a decrease of $28.7M. This change was due to the company's considerably lower sales prices (approximately 6% for Domtar's entire range of products), a decline in shipments, temporary suspensions in production resulting from difficult market conditions, and an increase in energy costs. The effect of these elements was partially offset by the contribution of four new mills acquired from the Georgia-Pacific Corporation in October 2001.

The economic uncertainty will continue to create challenges for Domtar in 2002. The company will pursue its implementation of performance improvement programs, notably through cost reductions and the achievement of synergies, in order to sustain its growth and enhance profitability.

In July 2001, the SGF sold its share of Concert Airlaid to Concert Industries, one year after an initial equity subscription by SGF Rexfor. This transaction resulted in a profit of $3.0M, which translates into an 18% return on the investment.

Metals and minerals SGF Minéral recorded net earnings of $12.4M in 2001, compared to $29.1M in 2000. Before a gain on disposal of $8.0M recorded in 2000, the SGF's net earnings in this sector declined by $8.7M in 2001.

This decrease was mainly due to the overall slowdown in the metals market. A weakened demand and increased inventories contributed to a significant reduction in the price of aluminium. This reduction had an impact on the results of Albecour, which saw its net earnings decline by $7.7M in 2001. The price obtained by Albecour for its aluminium (average LME cash price) fell from US70.3¢/pound in 2000 to US65.5¢/pound in 2001.

In addition, a price war in the secondary aluminium market led to difficulties for Lavalum, which was forced to seek protection under the Bankruptcy and Insolvency Act. This resulted in a loss for the SGF in 2001.

Finally, the solid performance of Group ADF, a new investment made in 2001, increased the net earnings of the SGF in this sector by $3.3M. Group ADF is a North American leader specializing in the design, manufacturing and erection of complex superstructures and architectural metal work.

Chemicals, petrochemicals, plastics and energy SGF Chimie finished the 2001 fiscal year with a net loss of $24.1M, compared to a loss of $8.9M in 2000, a decline of $15.2M.

The year 2001 was particularly challenging for the petrochemical industry. Companies in this industry experienced the most difficult market conditions in many years. The weakened demand in the American market led to a sharp decrease in selling prices and a decline in the value of inventories, which, however, were not accompanied by a comparable drop in the price of raw materials. Pétromont's earnings suffered as a result, most notably because of a significant decline in its variable margin of US5¢/pound compared to 2000. Moreover, Pétromont saw lower sales volumes due to the economic slowdown. Consequently, Pétromont recorded a higher net loss than the previous year. Technical problems at the Karbomont plant continue to impact negatively on the results of SGF Chimie.

Agri-food The net earnings of SGF Soquia stood at $2.8M, compared to $4.2M in 2000. Before a provision for losses necessitated by the decline in the long-term value of a number of investments, SGF Soquia's results were comparable to those of the prior year.

High technology SGF Tech posted a net loss of $57.8M in 2001, compared to a net loss of $2.1M in 2000, representing a significant decrease of $55.7M.

The high technology sector experienced a difficult year affected by a major economic slowdown and an overall decline in stock markets. The TSE 300's "technology hardware" subindex recorded a negative return of 65% in 2001. These adverse market conditions were felt by all companies in the sector. The venture capital investment portfolio,* evaluated at fair market value, contributed significantly to these results with an unrealized loss of $39.9M in 2001.

Many other companies in SGF Tech's portfolio saw their profitability suffer, particularly because of slower sales. In some cases, results were also affected by important expenses related to the acquisitions of investments made in 2001. For NSI Global, results were impacted by the amortization of goodwill following the 2001 purchase of Vistar, together with higher research and development costs.

Health SGF Santé saw a slight decline in its 2001 results, posting a loss of $15.5M compared to a 2000 loss of $11.7M.

In the health sector, more than 50% of the net assets consisted of venture capital investments evaluated at their fair market value, which led to the posting of an unrealized loss of $11.2M, compared to $5.5M in 2000. Before consideration of an unrealized loss in 2001 for UltraVision, the venture capital investment portfolio recorded an increase of $4.9M for the year, which represents a return of 9%.

The decline in UltraVision's share price in 2001 and the significant loss that resulted was due in part to a delay in the start-up of the company's plant and procurement difficulties. However, key changes to the business plan and the anticipated growth in the international contact lens market have provided UltraVision with a more favourable outlook for the future.

With respect to greenfield projects, DSM Biologics Holdings continued to experience increased revenues in 2001, due in part to substantial orders being placed by satisfied customers. Also, in the spring of 2001, the company put a new 2,000 litre fermenting vat into commercial operation for the production of biopharmaceutical products. This noteworthy boost in revenues, combined with tight cost controls, led to an improvement in the company's earnings and a decrease in its net loss of $3.1M (SGF portion).

Other sectors in development Results for the machinery, recreational tourism, transportation material and industrial logistics industries, as well as for the investment in Novacap, declined by $15.0M compared to the previous year.

This decline is due to an unrealized loss in Novacap, whereas an unrealized gain had been recorded in 2000. The results of Novacap, a venture capital fund consisting of investments in nine companies, were affected by the sharp downturn experienced by the high technology sector. These lower results were also due to a recreational tourism investment in Metafonia Divertissements, for which a provision for loss was recorded in 2001 because of its precarious financial situation. The entertainment company declared bankruptcy at the beginning of 2002.

Financial Position and Cash Flows

In fulfilling its mission this year, the SGF again saw solid growth in its balance sheet. Consolidated assets rose from $2,272.7M at the end of 2000 to $3,014.0M at December 31, 2001, which represents an increase of more than 32%. This increase is mainly attributable to the acquisitions of long-term investments during the year and an increase in projects in the construction and start-up phase. Shareholder's equity at December 31, 2001 stood at $2,344.9M, compared to $1,727.8M in 2000, an increase of 36.0%.

Cash Flows The SGF's consolidated cash and cash equivalent totalled $83.5M at December 31, 2001, an increase of $39.3M compared to December 31, 2000.

OPERATING ACTIVITIES:

Cash flows from operating activities stood at $36.5M, a slight improvement over 2000 despite a significant decline in operating income in the chemical, petrochemical, plastics, energy and high technology sectors in 2001. This stability in the cash flow from operations within a demanding economic climate is due in large part to highly disciplined management practices.

INVESTING ACTIVITIES:

Cash flows used in investing activities stood at $733.6M for the period ending December 31, 2001. The cash flows were mainly used for the acquisitions of joint ventures and long-term investments, as well as for additions to property, plant and equipment which were partially offset by proceeds from the disposal of joint ventures and investments.

- The acquisitions of joint ventures and investments stood at $496.8M for the year. In 2001, the SGF directed 36% of its investments, or $177M, to the forest products sector, most notably to develop the value-added lumber products domain and to accelerate the upgrading of the coated paper sector. In addition, some 29% of investments, or $143M, were made in the knowledge economy.
- The additions to property, plant and equipment and other investing activities totalled $232.9M and $27.3M respectively. This includes investments in property, plant and equipment for the construction of new plants, such as the Magnola plant in the metals and minerals sector ($33.0M), the Interquisa plant in the chemicals, petrochemicals, plastics and energy sector ($108.4M), and the Circuit Foil America plant in the high technology sector ($40.5M). Capital expenditures were also incurred to expand the production capacity of a number of companies in the SGF's portfolio.
- At December 31, 2001, the company committed to subscribing to certain long-term investments and to making capital expenditures to construct or increase capacity in a number of plants. These commitments totalled more than $100M. In February 2002, the company announced a $99M investment (its interest in a total investment of $210.9M) to build and operate the first polytrimethylene terephthalate (PTT) plant. PTT is a highly resistant thermoplastic polymer used in the carpet industry. The disbursements associated with this announcement will occur in 2002 and 2003.
- Proceeds from the sale of joint ventures and the disposal of investments totalled $36.7. These proceeds resulted mainly from the sale of Concert Airlaid and cash inflow from the reimbursement of Concert Fabrication debentures.

FINANCING ACTIVITIES:

The SGF's financing activities led to a net inflow of $736.5M in 2001, resulting mainly from the issuance of common shares and an increase in long-term debt.

- The shareholder subscribed and paid for 70 million common shares at $10.00 each for a total of $700.0M, bringing its contribution since the inception of the SGF to $1,973.3M. Following legislative changes made in 1998, the authorized capital of the SGF stands at $2,925.0M, and the balance currently available totals $951.7M.
- The increase of $85.1M in the long-term debt resulted mainly from loans contracted to finance construction or increase production capacity at a number of plants. At December 31, 2001, the company had 473.0M$ available financing through its long and short-term lines of credit, while the portion of long-term debt maturing within 12 months stood at $77.7M.

Management and Auditors' Report

To the shareholder of Société générale de financement du Québec

In the discharge of its duties, the Board of Directors of Société générale de financement du Québec has delegated to its officers the preparation of its consolidated financial statements.

The consolidated financial statements for 2001 have been audited by an independent firm of auditors, PricewaterhouseCoopers LLP, before their presentation to the Board of Directors, which has approved them upon recommendation of the duly constituted and appointed Audit Committee.

The management believes that these statements have been prepared in accordance with generally accepted accounting principles. They take into consideration, within reasonable limits, all significant accounting policies referred to in the notes to the consolidated financial statements.

The information contained in this annual report is consistent with the consolidated financial statements included herein.

Claude Blanchet
Chairman of the Board,
President and Chief Executive Officer
May 10, 2002

Dino Fuoco
Senior Vice-President and
Chief Financial Officer

To the Ministre de l'Industrie et du Commerce

We have audited the consolidated balance sheet of **Société générale de financement du Québec** as at December 31, 2001, and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Loi sur le vérificateur général* (L.R.Q., chapitre V – 5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants
Montreal, Quebec
March 8, 2002

Consolidated Statement of Earnings and Retained Earnings

(in thousands of dollars)	2001	2000
REVENUE (note 5)	**879,031**	802,419
OPERATING EXPENSES		
Cost of goods sold and services	**721,336**	651,681
Selling, general and administrative expenses	**106,849**	84,063
Amortization and depletion	**57,601**	52,659
	885,786	788,403
OPERATING INCOME (LOSS), excluding corporate expenses	**(6,755)**	14,016
INVESTMENT INCOME (LOSS)		
Share of earnings in significantly influenced companies	**16,622**	50,253
Net gain on disposal of joint ventures and long-term investments	**7,188**	30,979
Net unrealized loss on venture capital investments	**(53,521)**	(2,227)
Provision for loss on other long-term investments	**(15,953)**	(21,154)
Dividend income and interest on long-term investments	**6,852**	15,688
	(38,812)	73,539
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	**(45,567)**	87,555
FINANCIAL EXPENSES (note 4)	**13,160**	17,374
OTHER EXPENSES (note 5)	**25,308**	21,220
NET EARNINGS (LOSS) FOR THE YEAR (note 5)	**(84,035)**	48,961
RETAINED EARNINGS – BEGINNING OF YEAR	**451,392**	402,431
RETAINED EARNINGS – END OF YEAR	**367,357**	451,392

(in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	83,505	44,175
Temporary investments	22,525	7,611
Accounts receivable	175,146	146,089
Inventories (note 6)	151,726	126,500
Prepaid expenses	6,204	4,830
Current portion of long-term investments	7,812	6,746
	446,918	335,951
Long-term investments (note 7)	1,231,212	886,382
Property, plant and equipment (note 8)	1,172,264	905,320
Other assets (note 9)	163,641	145,036
	3,014,035	2,272,689
LIABILITIES		
Current liabilities		
Bank loans	23,191	25,917
Accounts payable and accrued liabilities	184,697	148,887
Current portion of long-term debt	77,655	52,500
	285,543	207,304
Long-term debt (note 10)	328,162	291,975
Other long-term liabilities (note 11)	55,480	45,584
	669,185	544,863
SHAREHOLDER'S EQUITY		
Capital stock (note 12)	1,973,340	1,273,340
Retained earnings	367,357	451,392
Foreign currency translation adjustments	4,153	3,094
	2,344,850	1,727,826
	3,014,035	2,272,689

Approved by the Board of Directors

Francine Allaire
Director

Claude Lamonde
Director

Consolidated Statements of Cash Flows

(in thousands of dollars)	2001	2000
CASH FLOWS FROM		
Operating activities		
Net earnings (loss) for the year	**(84,035)**	48,961
Adjustments for		
Amortization and depletion	**57,601**	52,659
Share of earnings in significantly influenced companies	**(16,622)**	(50,253)
Net gain on disposal of joint ventures and long-term investments	**(7,188)**	(30,979)
Provision for loss on long-term investments	**69,474**	23,381
Amortization of unrealized exchange loss	**4,946**	2,366
Loss on write-down and disposal of property, plant and equipment and other assets	**10,967**	6,230
Non-controlling interests	**(1,057)**	—
Dividends received from significantly influenced companies	**8,810**	9,489
Capitalized interest on long-term investments	**(2,558)**	(3,696)
Employee future benefits	**778**	1,379
	41,116	59,537
Net change in non-cash working capital balances (note 13 a))	**(4,651)**	(25,948)
	36,465	33,589
Investing activities		
Temporary investments	**(14,914)**	58,528
Acquisitions of joint ventures and long-term investments (notes 3 and 14)	**(496,785)**	(167,270)
Disposal of joint ventures and long-term investments (notes 13 c) and 15)	**36,700**	52,034
Additions to property, plant and equipment (notes 3 and 13 b))	**(232,953)**	(271,996)
Disposal of property, plant and equipment	**1,622**	624
Other investing activities	**(27,287)**	(39,982)
	(733,617)	(368,062)
Financing activities		
Bank loans	**(6,766)**	9,670
Increase in long-term debt	**85,059**	95,847
Repayment of long-term debt	**(36,382)**	(29,117)
Payment of share subscriptions	**(5,429)**	—
Issuance of shares	**700,000**	200,000
	736,482	276,400
Net change in cash and cash equivalents during the year	**39,330**	(58,073)
Cash and cash equivalents – Beginning of year	**44,175**	102,248
Cash and cash equivalents – End of year	**83,505**	44,175
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash on hand and bank balances	**30,886**	21,520
Short-term liquid investments	**55,938**	25,269
Bank overdrafts	**(3,319)**	(2,614)
	83,505	44,175
SUPPLEMENTAL DISCLOSURE		
Interest paid	**17,706**	14,659

1 Status and nature of activities

The company was created in 1962 under the "Loi sur la Société générale de financement du Québec", which was amended in 1996. The Government of Quebec is the shareholder. The purpose of the company is to carry out, in collaboration with partners and in accordance with accepted requirements of profitability, economic development projects in the industrial sector in conformity with the economic development policies of the Government of Quebec. It has established a presence notably in the agri-food, chemicals, petrochemicals, plastics and energy, high technology, industrial logistics, machinery, transportation material, metals and minerals, forest products, recreational tourism and health industries.

2 Significant accounting policies

Consolidation principles These consolidated financial statements include the accounts of the Société générale de financement du Québec, its subsidiaries and joint ventures. The accounts of the subsidiaries are accounted for under the full consolidation method which consists in incorporating the financial statements of the subsidiary into the financial statements of the company on a line-by-line basis. The accounts of the company's joint ventures are accounted for using the proportionate consolidation method which involves recording the company's share of assets, liabilities and earnings of the joint venture. The earnings of subsidiaries and joint ventures are included in the consolidated financial statements as of their respective dates of acquisition and until their respective dates of disposition, if applicable.

Use of estimates The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Fair market value of financial instruments The company has estimated the fair value of its financial instruments based on current interest rates, related market values and current pricing of financial instruments with comparable terms. The carrying value of these financial instruments, such as cash and cash equivalents, temporary investments, accounts receivable, bank loans, and accounts payable and accrued liabilities, approximates their fair value.

Cash and cash equivalents Cash and cash equivalents include cash on hand, bank balances, short-term liquid investments with maturities of three months or less and bank overdrafts.

Temporary investments The temporary investments consist primarily of commercial paper and bankers' acceptances with maturities exceeding three months and are recorded at the lower of cost and market value.

Inventories Inventories are valued at the lower of cost and market value. Cost is determined by using the average cost method and the first-in, first-out method, and market value is defined as replacement cost or net realizable value.

Long-term investments The investments in which the company can exercise significant influence and which are not considered venture capital investments are recorded using the equity method. This involves recording the company's share of the earnings of a significantly influenced company since the date of acquisition.

The investments in which the company does not exercise any control or significant influence are recorded at cost.

The investments in the form of purchased mining royalties are recorded at cost and are amortized on the basis of the units subject to royalties.

If a permanent decline in value occurs, the company's policy is to write down the investment to its estimated net realizable value.

Speculative investments in companies for the purpose of supporting their development are considered venture capital investments and are recorded at their fair value which is determined by the company's management as follows:

- Listed shares are recorded based on the quoted market price. When this value does not adequately represent the fair value, such investments are evaluated using the same valuation method as for unlisted shares. Shares with quoted values but which have restricted negotiability or transferability are discounted. In determining the amount of this discount, the company takes into account the nature and duration of the restriction and the relative instability of the security price.
- Unlisted shares are recorded at cost, with the exception of cases where different values are established as a result of an independent valuation (performed in accordance with generally recognized valuation techniques), a significant arm's-length transaction, or an important change in the company's business.

Property, plant and equipment Property, plant and equipment are recorded at cost and include interest and administrative expenses incurred during the construction of plants. Amortization is calculated mainly using the straight-line method based on the following estimated useful lives:

Building	**10 to 40 years**
Machinery and equipment	**3 to 25 years**
Other	**3 to 10 years**

No amortization is recorded on construction in progress.

Mining properties Mining properties include the costs pertaining to the exploration and development of the mineral sites. However, these cumulative costs do not necessarily represent the current or future value of the projects for which they were incurred and exclude the administrative costs associated with the development and exploration work, which are recorded in the income statement.

When a decision is made to commence operations, all costs pertaining to the mining properties are transferred to property, plant and equipment. However, when a project is abandoned, all costs relating thereto are written off during the year the abandonment occurred.

Goodwill Goodwill arising from business combinations initiated on or after July 1, 2001, is not amortized in accordance with the transitional provisions of the new recommendation of the Canadian Institute of Chartered Accountants dealing with business combinations. Goodwill previously recorded is amortized on a straight-line basis over periods varying primarily from 5 to 20 years. The company assesses periodically whether a provision for permanent impairment in the value of goodwill should be recorded to earnings. This is accomplished mainly by determining whether projected undiscounted future cash flows exceed the net book value of goodwill.

Operating licenses The cost of operating licenses is capitalized and amortized over 15 years upon commencement of operations.

Start-up costs Start-up costs include certain financial and other costs incurred during the start-up phase of certain plants. These costs are amortized using the straight-line method over a period of 3 to 5 years.

Foreign currency Monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars using the year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates, except for those of self-sustaining foreign joint ventures which are translated at the rate prevailing at the end of the year. Revenue and expenses are translated throughout the year at the exchange rates prevailing on the transaction dates. Exchange gains or losses are included in the calculation of the results for the year, with the exception of those resulting from the translation of long-term debt which is recorded as an unrealized gain or loss and amortized on a straight-line basis over the remaining life of the long-term debt.

The "Foreign currency translation adjustments" item in shareholder's equity primarily includes the exchange gains or losses arising from the translation of the investment in self-sustaining foreign joint ventures.

Note 2 – Continued

Employee future benefits The cost of pension benefits and other retirement benefits provided in exchange for services rendered during the year is calculated using the projected benefit method prorated on years of service, and is based on management's best estimate of economic and demographic assumptions.

Past service costs arising from a plan amendment are amortized over the average remaining service period of active employees at the date of the plan amendment. The company amortizes the portion of actuarial gains and losses exceeding 10% of the greater of the accrued benefit obligation or the fair value of plan assets over the average remaining service period of active employees covered by the plans.

Financial instruments The company uses derivative instruments to reduce the risks associated with fluctuations in foreign currency exchange rates, interest rates and aluminum prices.

Unrealized gains and losses on derivative instruments, except those used as hedges, are recognized in income in the current period. Unrealized gains and losses on derivative instruments which serve to hedge certain future identifiable risks are accounted for in the income statement along with the underlying items being hedged.

Tax status As it is government owned, neither the company nor its wholly owned subsidiaries are subject to income taxes.

3 Segmented information in summary form

The company has operating activities in 10 sectors. As at December 31, 2001, most investments were in the following sectors: forest products, metals and minerals, chemicals, petrochemicals, plastics and energy, agri-food, high technology and health. The other sectors have been grouped under Sectors in development.

(in thousands of dollars)		Revenue	Net earnings (loss)	Segment assets	Additions to property, plant and equipment	Acquisitions of joint ventures and long-term investments
Forest products	**2001**	**100,345**	**26,723**	**777,577**	**18,291**	**177,073**
	2000	33,607	56,163	654,092	51,070	16,103
Metals and minerals	**2001**	**279,251**	**12,390**	**798,571**	**43,068**	**66,491**
	2000	275,467	29,070	674,186	89,109	36,990
Chemicals, petrochemicals, plastics and energy	**2001**	**323,379**	**(24,104)**	**611,752**	**117,057**	**11,246**
	2000	341,272	(8,871)	449,915	97,026	5,118
Agri-food	**2001**	**123,912**	**2,753**	**259,248**	**2,212**	**55,544**
	2000	113,952	4,238	209,682	3,334	19,536
High technology	**2001**	**5,278**	**(57,784)**	**241,573**	**40,804**	**93,381**
	2000	5,908	(2,095)	148,503	17,537	32,000
Health	**2001**	**32,055**	**(15,504)**	**187,016**	**7,375**	**49,761**
	2000	19,163	(11,738)	134,901	3,471	46,005
Sectors in development	**2001**	**14,811**	**(17,831)**	**117,444**	**1,722**	**43,289**
	2000	15,050	(2,812)	81,130	9,180	11,518
Segment total	**2001**	**879,031**	**(73,357)**	**2,993,181**	**230,529**	**496,785**
	2000	802,419	63,955	2,352,469	270,727	167,270
Corporate activities	**2001**	**—**	**(10,678)**	**20,854**	**2,424**	**—**
	2000	—	(14,994)	13,450	1,269	—
Eliminations	**2001**	**—**	**—**	**—**	**—**	**—**
	2000	—	—	(93,230)	—	—
Consolidated total	**2001**	**879,031**	**(84,035)**	**3,014,035**	**232,953**	**496,785**
	2000	802,419	48,961	2,272,689	271,996	167,270

4 Financial expenses

(in thousands of dollars)	2001	2000
Interest on long-term debt	14,146	14,045
Amortization of unrealized exchange loss	4,946	2,366
Reimbursement of financial assistance	—	6,375
Other financial expenses	2,624	1,632
	21,716	24,418
Interest income on cash and cash equivalents and temporary investments	(8,556)	(7,044)
	13,160	17,374

5 Other expenses

(in thousands of dollars)	2001	2000
Corporate expenses	21,192	17,910
Loss on write-down and disposal of property, plant and equipment and other assets	10,967	6,230
Income taxes	3,227	165
Settlement of a provision for discontinued operations	(7,937)	—
Non-controlling interests	(1,057)	—
Gain on sale of alumina contracts	—	(2,234)
Other	(1,084)	(851)
	25,308	21,220

6 Inventories

(in thousands of dollars)	2001	2000
Raw materials and supplies	77,644	70,847
Work in process	29,409	22,043
Finished goods	44,673	33,610
	151,726	126,500

7 Long-term investments

(in thousands of dollars)	2001		2000	
	Book value	Market value	Book value	Market value
Significantly influenced companies using equity method				
Domtar Inc.	476,978	709,891	363,412	492,414
Groupe ADF inc.	43,319	70,500		
NSI Global Inc.	20,705	25,339	8,102	24,886
Private companies	250,816		104,697	
	791,818		476,211	
Venture capital, at fair value (note 7 a))	214,015		188,216	
At cost				
Saputo Inc.	99,995	142,671	99,995	90,734
Theratechnologies Inc.	13,820	28,386	13,820	28,856
Tembec Inc.				
Preferred shares	9,104		9,104	
7% Debentures	25,000		30,000	
8 x 8 Inc. (formerly Netergy Networks Inc.)	8,462	2,000	8,462	3,962
Skyepharma PLC (note 13 c))	9,133	10,015		
Mining royalties (note 7 b))	28,577		26,892	
Loans and debentures				
Interest bearing	23,394		22,464	
Non-interest bearing	3,427		4,962	
Other (note 7 c))	12,279		13,002	
	233,191		228,701	
	1,239,024		893,128	
Less: Current portion	7,812		6,746	
	1,231,212		886,382	

a) As at December 31, 2001, the cost of venture capital investments is $277,896,000 (2000 – $202,563,000).

b) The mining royalties, having an original cost of $27,000,000, entitle the company to revenues based on number of units produced.

c) The fair value of other investments accounted for at cost is approximately equal to the book value.

8 Property, plant and equipment

(in thousands of dollars)			2001	2000
	Cost	Accumulated amortization and depletion	Net	Net
Forest products	**170,866**	**31,868**	**138,998**	91,150
Metals and minerals	**621,492**	**158,879**	**462,613**	446,010
Chemicals, petrochemicals, plastics and energy	**633,475**	**197,330**	**436,145**	285,764
Agri-food	**19,920**	**9,006**	**10,914**	10,784
High technology	**73,361**	**1,876**	**71,485**	25,792
Health	**35,700**	**6,383**	**29,317**	24,670
Sectors in development	**18,930**	**3,385**	**15,545**	14,671
Other	**16,332**	**9,085**	**7,247**	6,479
	1,590,076	**417,812**	**1,172,264**	905,320

Property, plant and equipment include construction in progress amounting to $494,236,000 as at December 31, 2001 (2000 – $370,181,000).

9 Other assets

(in thousands of dollars)	2001	2000
Mining properties	**42,079**	41,032
Operating licenses	**35,158**	25,148
Start-up costs	**31,889**	23,112
Goodwill	**28,300**	31,710
Accrued benefit asset (note 19)	**6,643**	6,576
Land held for development project	**5,624**	5,624
Unrealized exchange loss	**5,613**	3,815
Other	**8,335**	8,019
	163,641	145,036

10 Long-term debt

(in thousands of dollars)	2001	2000
Revolving bank loan at prime rate or LIBOR plus 0.35% to 0.55%, maturing in 2003 (note 10 a))	**79,630**	74,975
Revolving bank loan, unsecured, bearing interest at prime rate or discount rate for bankers' acceptance or LIBOR plus 0.35% to 0.70%, maturing in 2006	**50,000**	33,800
Revolving term facility, unsecured, at LIBOR plus 0.4%, maturing in 2002	**23,969**	24,552
Revolving credit facility at base rate, maturing in 2002 (note 10 c))	**10,583**	11,700
Bank loan, bearing interest at rates varying from LIBOR plus 0.625% to 2% or U.S. base rate plus 1.5%, payable in variable semi-annual instalments with a final instalment on June 30, 2003 (note 10 a))	**25,453**	30,126
Bank loan at prime rate plus 0.5% or discount rate for bankers' acceptance plus 1.25%, payable in semi-annual instalments, maturing in 2003 (note 10 b))	**8,570**	16,500
Bank loan at prime rate plus 1.25%, payable in quarterly instalments, maturing in 2006 (note 10 b))	**16,750**	11,581
Construction loan, convertible to revolving term facility, at discount rate for bankers' acceptance plus 0.45%, maturing in 2007 (note 10 b) and d))	**11,940**	12,272
Construction loan, convertible to term loan, at 8.189%, payable in monthly instalments beginning in 2003 (note 10 b))	**14,440**	9,577
Term loan at prime rate plus 1%, payable in monthly instalments beginning in 2000 (note 10 b))	**9,165**	—
Bank loan at prime rate plus 0.75%, payable in variable instalments, maturing in 2002 (note 10 a))	**9,250**	—
Subordinate debenture with a face value of $12,500,000, secured and non-interest bearing, maturing in 2011	**10,309**	—
Term loan at average rate of 4.07%, payable in quarterly instalments beginning in 2003, maturing in 2006 (note 10 c))	**5,472**	—
Loan from a partner		
At 3.608%, maturing in 2003 (NLG13,600,000)	**8,773**	8,588
Without interest or specific terms of repayment	**2,948**	4,213
Non-interest bearing, maturing in 2002	**11,139**	—
At 5%, maturing in 2006	**4,900**	—
Interest-free amount due to Investissement Québec, repayable no later than October 31, 2017	**9,000**	9,000
Loans of joint ventures sold in 2001	**—**	12,461
Other	**93,526**	65,130
	405,817	324,475
Less: Current portion	**77,655**	32,500
	328,162	291,975

a) A fixed and floating charge on all present and future assets of joint ventures as well as a general assignment of accounts receivable and inventories with a book value of $100,294,000 as at December 31, 2001, have been pledged as security for these bank loans.

b) Hypothecs on the universality of assets of joint ventures with a book value of $149,010,000 as at December 31, 2001, have been pledged as security for these loans.

Note 10 – Continued

c) A pledge of inventories and a hypothec on accounts receivable with a book value of $19,665,000 have been granted as security for these loans.

d) A joint venture has entered into interest rate swap agreements regarding the construction loan for a total amount of $10,080,000 at fixed rates of 5.45% and 5.95%, maturing from June 2002 to June 2006 inclusive.

e) This loan can be renewed for two twelve-month periods at the option of the company.

f) The long-term debt denominated in U.S. dollars amounts to US$94,620,000 as at December 31, 2001 (2000 – US$89,619,000).

g) Principal repayments due within each of the next five years are as follows:

(in thousands of dollars)	
2002	**77,655**
2003	**140,714**
2004	**26,576**
2005	**34,889**
2006	**61,189**

h) The fair value of the long-term debt based on discounted cash flows at market rates amounts to approximately $391,102,000 as at December 31, 2001.

11 Other long-term liabilities

(in thousands of dollars)	**2001**	2000
Share subscriptions	**33,071**	29,500
Accrued benefit liability (note 19)	**13,819**	11,790
Non-controlling interests	**1,243**	—
Other	**7,347**	4,294
	55,480	45,584

12 Capital stock

Authorized – par value of $10

292,500,000 Common shares

Issued

(in thousands of dollars)	**2001**	2000
197,334,018 Common shares (2000 – 127,334,018)	**1,973,340**	1,273,340

In 2001, the company issued 70,000,000 common shares for a cash consideration of $700,000,000.

The company can request the shareholder to subscribe and pay for an additional 95,165,982 common shares representing an amount of $951,660,000 based on the company's financial needs as provided for in its annual operational plan and consistent with its five-year development plan.

13 Supplementary cash flow information

a) The changes in non-cash working capital balances are as follows:

(in thousands of dollars)	2001	2000
Increase in		
Accounts receivable	**(1,676)**	(16,726)
Inventories	**(14,120)**	(12,294)
Prepaid expenses	**(944)**	(1,296)
Increase in		
Accounts payable and accrued liabilities	**12,089**	4,368
	(4,651)	(25,948)

b) In addition to the acquisitions of property, plant and equipment disclosed in the consolidated statement of cash flows, the company acquired during the year property, plant and equipment amounting to $20,993,000 of which $14,423,000 was financed by the accounts payable and $4,570,000 by a long-term debt.

c) During the year, the company disposed of a venture capital investment for a total consideration of $9,133,000 in shares of a publicly held corporation, Skyepharma PLC, resulting in a gain of $1,090,000.

14 Acquisitions of joint ventures and long-term investments

(in thousands of dollars)	2001	2000
Joint ventures		
Main acquisitions of the year (note 14 a) and b))	**71,464**	17,188
Other	**6,106**	—
Significantly influenced companies		
Main acquisitions of the year (note 14 a))	**243,198**	27,500
Other	**74,238**	12,985
Venture capital investments		
Celmed BioSciences inc.	**30,000**	—
The Fox Group inc.	**18,271**	—
Elyps solutions de répartition inc.	**8,800**	17,500
UltraVision Corporation	**8,300**	7,285
CryoCath Technologies inc.	**—**	14,500
Other	**13,319**	15,879
Investments, at cost		
Mining royalties	**—**	27,000
Other	**23,089**	27,433
	496,785	167,270

Note 14 – Continued

a) In 2001, the company acquired joint ventures and significantly influenced companies and reinvested in significantly influenced companies. The cost of the main acquisitions, net of cash and cash equivalents acquired, is presented in the following table:

(in thousands of dollars)	% Acquired	Cost of acquisition
JOINT VENTURES		
Temlam inc.	50.00	34,944
Kruger Wayagamack Inc.	49.00	29,266
Le Groupe Lavergne inc.	43.70	7,254
		71,464
SIGNIFICANTLY INFLUENCED COMPANIES		
Domtar Inc. (participation in a new issuance)		91,520
Groupe ADF inc.	17.56	40,000
Olymel, LP	17.00	50,013
NSI Global inc. (participation in a new issuance)		20,000
Rona Inc.	9.63 (1)	41,665
		243,198

(1) The significant influence in this case results from additional rights granted to the company, jointly with other shareholders, and in accordance with the shareholders' agreement.

b) The acquisitions of joint ventures in the year have been accounted for by the purchase method. The company's share of the operating results of these companies has been included in the consolidated statement of earnings from the acquisition date. Net assets acquired, excluding cash and cash equivalents, relating to the main acquisitions, are as follows:

(in thousands of dollars)	
Current assets	26,983
Property, plant and equipment	63,254
Goodwill	5,098
Other assets	3,325
	98,660
Current liabilities	11,059
Long-term debt	16,137
	27,196
Acquisition cost net of cash and cash equivalents acquired	71,464

15 Disposal of joint ventures and long-term investments

(in thousands of dollars)	2001	2000
Joint ventures (note 15 a))	18,263	31,200
Significantly influenced companies	170	—
Venture capital investments	699	3,271
Investments, at cost	17,568	17,563
	36,700	52,034

a) In 2001, the company disposed of its investment in a joint venture, Concert Airlaid Ltd. The net assets disposed, excluding cash and cash equivalents, are as follows:

(in thousands of dollars)	
Current asset	1,918
Property, plant and equipment	41,517
	43,435
Current liabilities	7,212
Long-term debt	21,516
	28,728
Net asset disposed	14,707
Gain on disposal	3,044
Proceeds on disposal, net of disposed cash and cash equivalents	17,751
Proceeds on disposal of other joint ventures	512
Total proceeds on disposal	18,263

16 Financial instruments

Financial instruments, in addition to those pertaining to long-term debt (note 10), which represent an off-balance sheet risk are described hereunder.

Foreign currency To reduce the impact of fluctuations in exchange rates on U.S. dollar revenue and purchases of property, plant and equipment and repayment of long-term debt denominated in foreign currency, the company uses a combination of forward exchange contracts, options and currency swaps. As at December 31, 2001, the amounts relating to these financial instruments on the U.S. dollar, the Norwegian krone, the euro and the Swedish krona amounted to US$123,500,000, NOK4,203,000, €4,016,000 and SEK8,590,000, respectively. These instruments, maturing from January 2002 to December 2003, had unrealized losses amounting to $1,425,000 as at December 31, 2001.

Credit risk The above-mentioned contracts are offset by changes in the value of the underlying items being hedged. The company may be exposed to losses if the counterparties to the above contracts fail to perform. On December 31, 2001, the company is satisfied that the risk of such non-performance is remote.

The company invests its temporary investments according to established policies in securities of major financial institutions with a high credit rating. The company is subject to economic conditions affecting the industries in which it operates. The company continually monitors its clients' credit and establishes the provision for doubtful accounts based on the credit risk evaluated for each client. Management believes that there is no significant credit risk as at December 31, 2001.

17 Joint ventures

Joint ventures of the company are accounted for using the proportionate consolidation method. The major components of the joint ventures included in these consolidated financial statements are:

(in thousands of dollars)	2001	2000
Consolidated statement of earnings		
Revenue	**619,666**	538,125
Operating income (loss)	**(11,399)**	7,609
Net earnings (loss)	**(37,314)**	1,596
Consolidated balance sheet		
Current assets	**265,474**	198,857
Long-term assets	**817,670**	574,231
Current liabilities	**215,872**	135,651
Long-term liabilities	**180,574**	174,276
Consolidated statement of cash flows		
Operating activities	**784**	10,784
Investing activities	**(204,156)**	(222,463)
Financing activities	**25,053**	29,364

18 Commitments

a) Long-term leases and commitments

The company is committed under long-term leases and contracts to make minimum payments totalling $42,021,000 during the next five years as follows:

(in thousands of dollars)	
2002	**10,926**
2003	**9,444**
2004	**8,238**
2005	**7,426**
2006	**5,987**

In addition, the company is committed to the acquisition of property, plant and equipment and purchases of services and raw materials totalling $134,000,000 during the next years. As at December 31, 2001, the company had also committed to subscribe to long-term investments for an amount of $56,000,000, in addition to those included in the other long-term liabilities in note 11.

b) Credit facility

At December 31, 2001, the company has available committed lines of credit amounting to $473,000,000, which can be used for short-term or long-term financing and bear interest at prime rate or at the money market rate.

19 Employee future benefits

The company has various contributory and non-contributory defined benefit pension plans for its employees which are based on years of service and the average final earnings of the related employees. In addition, the company offers employees other post-retirement and post-employment benefits consisting mainly of group insurance plans which are not funded.

a) The following table presents information relating to the various plans of the company, as at December 31, as established by independent actuaries:

(in thousands of dollars)	2001			2000
	Pension plans	Other plans	Total	Total
Accrued benefit obligation	61,199	10,047	71,246	50,005
Plan assets at fair value	43,501	—	43,501	39,906
Deficit – End of year	(17,698)	(10,047)	(27,745)	(10,099)
Accrued benefit asset	6,643	—	6,643	6,576
Accrued benefit liability	(4,449)	(9,370)	(13,819)	(11,790)
Net recorded amount	2,194	(9,370)	(7,176)	(5,214)
Benefit cost	2,791	928	3,719	3,180
Employer contributions	2,377	136	2,513	2,319
Employee contributions	1,179	—	1,179	1,207
Benefits paid	3,418	2,739	6,157	4,348

b) The weighted average actuarial assumptions used by the company as at December 31, 2001 are as follows:

(as a percentage)	Pension plans	Other plans
Discount rate	7.0	7.0
Long-term rate of return on plan assets	8.0	—
Salary escalation rate	3.5	3.5

For measurement purposes, an annual weighted average rate of increase in the per capita cost of covered health care benefits of 8.9% was assumed for 2002. The rate was assumed to decrease gradually to reach approximately 5% in 2006 and remain at that level thereafter.

20 Subsequent event

In February 2002, the company reached an agreement of principle with Alcan regarding the sale of all of the outstanding shares of Albecour inc. which in turn holds an undivided interest of 20% in Aluminerie Alouette. This transaction will take place for a cash consideration of approximately $264,000,000.

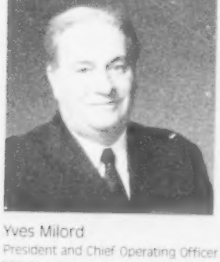
21 Comparative figures

Certain comparative figures for the year ended December 31, 2000, have been reclassified to conform with the 2001 financial statement presentation.

The following table presents the net book value of the SGF in shares, partnership units and long-term financing by accounting method used and sector of activity. Accounts of subsidiaries and joint ventures are included in the SGF's consolidated financial statements, but are recorded using the equity method for the purpose of this table.

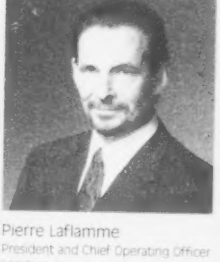
(in thousands of dollars)	2001	2000
ACCOUNTING METHOD USED		
Subsidiaries (full consolidation)	**453,690**	423,584
Joint ventures (proportionate consolidation)	**693,955**	464,888
Significantly influenced companies (equity method)	**791,818**	476,071
Venture capital (fair value)	**180,940**	158,717
Other investments (at cost)	**217,416**	215,789
Total investments	**2,337,819**	1,739,049
Corporate activities	**7,031**	(11,223)
Consolidated shareholder's equity	**2,344,850**	1,727,826
SECTORS OF ACTIVITY		
Forest products	**674,656**	520,136
Metals and minerals	**574,615**	480,287
Chemicals, petrochemicals, plastics and energy	**414,819**	291,991
Agri-food	**239,315**	182,174
High technology	**208,882**	128,448
Health	**146,263**	98,797
Sectors in development	**79,269**	37,216
Total segment	**2,337,819**	1,739,049
Corporate activities	**7,031**	(11,223)
Consolidated shareholder's equity	**2,344,850**	1,727,826

(in thousands of dollars)	2001	2000	1999	1998	1997
Revenue	**879,031**	802,419	800,641	759,535	669,129
Income (loss) before following items:	**(88,169)**	45,130	29,960	78,698	35,105
Gain on disposal of interest					
in Malette Rexfor	**—**	3,831	—	—	—
in Culinar	**—**	—	67,721	—	—
in Tembec	**—**	—	18,115	—	—
in Noverco	**—**	—	—	—	115,671
in Concert Airlaid	**3,044**	—	—	—	—
in RTP Pharma	**1,090**	—	—	—	—
NET EARNINGS (NET LOSS)	**(84,035)**	48,961	115,796	78,698	150,776
Total assets	**3,014,035**	2,272,689	1,955,348	1,757,435	1,588,861
Total long-term debt	**405,817**	324,475	273,221	355,720	307,486
Non-controlling interests	**1,243**	—	3,684	3,230	2,977
Shareholder's equity	**2,344,850**	1,727,826	1,510,635	1,245,321	1,120,056
Debt/equity ratio	**15:85**	16:84	15:85	22:78	21:79

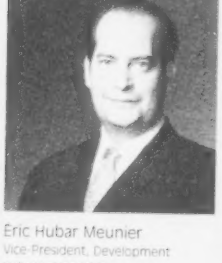


Yves Milord
President and Chief Operating Officer
SGF Soquia inc.

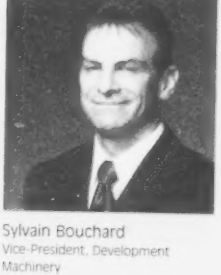
Jacintha Dauphin
President and Chief Operating Officer
SGF Chimie inc.



Pierre Laflamme
President and Chief Operating Officer
SGF Tech inc.



Éric Hubar Meunier
Vice-President, Development
Industrial Logistics



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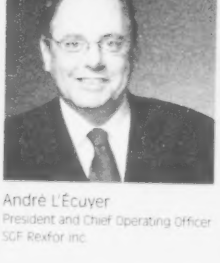
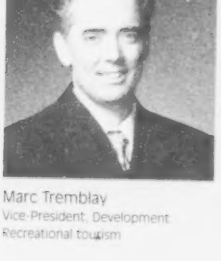
Vice-President, Development
Machinery

François Chagnon
Vice-President, Development
Transportation material

Marc Filion
President and Chief Operating Officer
SGF Minéral inc.



André L'Écuyer
President and Chief Operating Officer
SGF Rexfor inc.



Marc Tremblay
Vice-President, Development
Recreational tourism

Francis Bellido
President and Chief Operating Officer
SGF Santé inc.

Management of the SGF's development sectors

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President and Chief Operating Officer
SGF Soquia inc.

Jacinthe Dauphin
President and Chief Operating Officer
SGF Chimie inc.

Pierre Laflamme
President and Chief Operating Officer
SGF Tech inc.

Éric Hubar Meunier
Vice-President, Development
Industrial Logistics

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President and Chief Operating Officer
SGF Rexfor inc.

Marc Tremblay
Vice-President, Development
Recreational tourism

Francis Bellido
President and Chief Operating Officer
SGF Santé inc.

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Pierre Laflamme
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Éric Hubar Meunier
Yves Milord
Dino Fuoco
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André Roy
Edward H. Sargent

PROTECTION OF NON-SMOKERS THE SGF HAS TAKEN THE NECESSARY MEASURES TO ENSURE A SMOKE-FREE ENVIRONMENT FOR EMPLOYEES AND VISITORS AS PRESCRIBED BY THE ACT RESPECTING THE PROTECTION OF NON-SMOKERS IN CERTAIN PUBLIC SPACES.

AWARDING OF CONTRACTS THE AWARDING OF SUPPLY AND SERVICE CONTRACTS BY THE SGF IS SUBJECT TO A FORMAL POLICY, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY.

CODE OF ETHICS THE COMPANY ABIDES BY A CODE OF ETHICS ADOPTED BY THE BOARD OF DIRECTORS ON APRIL 21, 1999, PURSUANT TO THE REGULATION ON THE ETHICAL CONDUCT OF PUBLIC ADMINISTRATORS.
NO VIOLATION OF THE CODE WAS REPORTED IN THE PREVIOUS ANNUAL REPORT OF THE SGF. A COPY OF THE CODE, WHICH IS AVAILABLE IN ITS ENTIRETY ON OUR WEB SITE, MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY.

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC
600 DE LA GAUCHETIÈRE STREET WEST, SUITE 1700, MONTRÉAL, QUÉBEC H3B 4L8
TELEPHONE: (514) 876-9290, FAX: (514) 395-8055

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